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## What comes next for the international almond



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by Elizabeth Anderson  
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Foundation Agri's Nick Cranna and US-based PGIM real estate's Jamie Shen at their joint breakfast ahead of the Australian Almond Conference, looking at the US and Australian markets. Picture by Elizabeth Anderson

Californian almond production has the potential to increase this year by nearly as much as Australia's entire almond output - but how much longer can that continue?

Australia is the second largest almond producer in the world, equating to about 7 per cent of global production.

While water access is one of the biggest issues facing producers locally, changes in the water market in the United States will also be impacting those in the world's largest production area.

Speaking ahead of the Australian Almond Conference, Foundation Agri executive director - real estate Nick Cranna said there were indications California was experiencing a shift in its total almond producing area, driven by water availability and farmgate profitability.

"There is a perception that bearing hectares have peaked," he said.

All up, about 560,000ha - or 1.3 million acres - have been planted with almonds, with 9 per cent of these, trees 25 years or older.

Mr Cranna said water legislation introduced in 2014 was really starting to make its presence known, and could lead to either reductions or a change in the area used for almond production within California.

The Sustainability Groundwater Management Act - or SGMA - requires depleted aquifers to come back into balance by 2040, with plans for how this is to happen to have been created and lodged by 2020.

Mr Cranna said agricultural irrigation water in California was split roughly 60 per cent surface water and 40pc ground water.

He said estimations from the University of Chicago suggestion groundwater pumping would have to be reduced by about 19.2pc in order to meet the SGMA goals.

"Some farmers don't have surface water rates - we will likely will see a reduction in planting in certain areas," he said.

"If I'm an almond guy and don't have access to surface water and in an oversupplied aquifer, the only way to go is to push out some of my crop.

"As trees age out, they are unlikely to be replaced.

"But there is movement into new areas in California - these are lower yielding but with more secure water rights."

PGIM real estate head of agriculture Jamie Shen, San Francisco, said while water trading was in place, it was only an option within specific small water districts, and water rights varied between these areas.

"SGMA is forcing some hard decisions, while commodity prices have brought the issue to a head," she said.

"Areas with surface water rights to complement ground water are the ones that are going to be viable."

Mr Cranna said there were some big differences between the Australian almond scene and that in the US.

Australia's almond producers were quite centralised, with 10 growers controlling about 70pc of plantings - this goes up to 80pc for the top 13 growers.

"The US has a greater spread of participants," he said.

He said there were a lot more "ma and pop" players in the Californian market.

But it was not all negative for the industry, with "sentiment for almond growing (at its) best in a few years".

"This is the first production year out of drought, in a challenging cycle," Mr Cranna said.

He said looking back to the 2018 to 2020 seasons was a good guide as to what might happen in a post-drought situation.

Almond prices had already increased on the back of a low carry in, of about 250,000 tonnes.

Prices are estimated about \$US1.98 a pound or \$A6.42/kg at the farmgate.

Prices in 2022 were about \$US1.40/lb or \$A4.47/kg and in 2023 were \$US1.64/lb or \$A5.48/kg.

But even these increased prices are back on the highs of \$US4/lb or \$A9.80/kg of 2014.

Mr Cranna said there was a lot of commentary that suggested production would be average or better in the next three years.

Agri Foundation director David Haydon said this could mean Californian production could increase by as much as Australia's total production.

But Mr Cranna says SGMA may still have an impact and curtail this lift in production - "time will tell".

While Australia is considerably smaller, in terms of production, it also has experienced significant growth in the past 10 years, with exports up 9pc, compared with the 3.2pc in the US.

Australian trees were also more productive, producing 2.55 tonnes/ha, compared with 2.39t/ha, across the 10-year average.

The value of almond plantations in the US has also come back considerably in the past few years, from a high point in 2015, when low value orchards were selling for about \$90,000/ha, now down about \$30,000/ha.

In the same period, the higher end of the market had moved from about \$130,000/ha to \$85,000/ha.

"In California, the water district is the key driver of orchard value – reliable water source underpins value," Ms Shen said.

She said much of the buying interest at the moment came from corporate interests, taking advantage of "distress" pricing.

"Almond orchards 18 years older are buying at bare ground value, while four-year-old trees with secure water rights are getting good prices," she said.

"It has to have the right profile and secure water – if you don't have that will be mostly local farmers expanding."

Mr Cranna said estimations on Australian orchard values were harder to make with very few changing hands in recent years.

"But sentiment is far better than it has been," he said.

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