

Where Does the Almond Market Go from Here?

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The challenges facing the almond market in 2020 are well documented: a significant nut price drop, a record-smashing crop, global trade issues, and, of course, COVID-19.

July almond shipments exceeded expectations, a positive sign that shows reduced nut pricing may be driving demand while prices are low, particularly in export markets that continue to reduce port congestion from the pandemic (about 70 percent of the crop is exported). If this trend continues, it should help mitigate the record 2020 harvest and large carryover. Despite this, many market participants believe almond prices will remain depressed for the next two to three years before they return to the stabilized levels enjoyed from 2016 through 2019. Growers are likely to struggle with profitability during this time.

On a long-term basis, many of our investor clients remain bullish on almond orchards. While investors who need immediate first-year returns may have difficulty underwriting deals at per-acre prices acceptable to sellers, groups who can take a more patient, longer-term view are likely to find opportunities.

Because of these issues and headwinds caused by the Sustainable Groundwater Management Act (SGMA), we anticipate seeing higher-than-typical orchard replants (including to competing crops like pistachios), more growers retiring, and further industry consolidation over the next few years. Some softness in orchard values is also likely, though the vast and increasing pool of investment capital seeking long-term agricultural investments should prevent a significant slide.

The almond sector has been a cornerstone of our real estate professionals' business in California for many

years, and we are excited to continue to serve this vital industry. Although some near-term pain will impact the almond industry, we believe market conditions will create many opportunities for both investors wishing to expand their almond orchard holdings and sellers looking to cash out (especially before any significant changes to the tax code may occur).

To discuss your orchard or investment requirements, please contact Curtis@PeoplesCompany.com.