

ABC Global Update – FY 17/18 Year End

FY 17/18: Another Amazing Year!

Almonds have experienced expanded shipments in key markets but have had to address a variety of import challenges. Ultimately, the California almond industry continues to be a leader in proactively engaging and addressing these evolving situations, keeping markets strong and the long-term opportunities for almonds growing.

Retaliatory Tariffs Continue to Foster Uncertainty

While market development activities have focused on showing almonds are an economical, reliable, and healthy food choice, increasing trade tensions have impacted several markets resulting in uncertainty that has the potential to put California almonds at a competitive disadvantage.

U.S. implementation of steel and aluminum tariffs resulted in retaliatory actions in a number of important almond export markets, including China and Turkey. While India also proposed increases in the specific duties applied to almonds, those increases are on hold until September. China further increased tariffs based on U.S. actions resulted from an International Trade Commission (ITC) investigation of China's intellectual property/discriminatory trade practices.

Further tariff increases are being discussed by the U.S. which could trigger additional retaliatory actions. ABC is continuing to monitor the situation, working closely with the Almond Alliance to ensure government officials are aware of the impact these tariffs are having on California almond growers and handlers.

USDA to Assist Farmers Impacted by Retaliatory Tariffs

On July 24, U.S. Secretary of Agriculture Sonny Perdue **announced** that the U.S. Department of Agriculture (USDA) will take several actions to assist farmers in response to trade damage from "unjustified retaliation."

The USDA will authorize up to \$12 billion in programs to assist agricultural producers to meet the costs of disrupted markets:

- The **Market Facilitation Program**, will provide direct payments incrementally to producers of soybeans, sorghum, corn, wheat, cotton, dairy, and hogs.
- A **Food Purchase and Distribution Program** to purchase surplus of affected commodities such as fruits, **nuts**, rice, legumes, beef, pork and milk for distribution to food banks and other nutrition programs.
- A **Trade Promotion Program** administered by the Foreign Agriculture Service (FAS) in conjunction with the private sector to assist in developing new export markets for farm products.

USDA's goal is to implement all three programs by Labor Day, September 3, 2018.

Clearly, the programs will not offset the considerable impact these tariffs are having on market investments and trade relationships. ABC is working closely with other agriculture groups to convey our overall objective: that government authorities engage with one another to restore market access so that trade can continue with minimal disruption.

2018 Farm Bill Update

The House and Senate passed versions of the 2018 Farm Bill with numerous differences that will have to be addressed and resolved through a conference committee.

The major difference between the two versions is the House requirement for stricter work requirements for recipients of Supplemental Nutrition Assistance Program (SNAP). Other important differences include funding differences in the Conservation title, Conservation Reserve Program acreage, and funding differences in the Research title.

Both Houses have named members to serve on the committee – the House identified 47 members and the Senate identified 9 members.

With the House recessed until September 4, members will have to move quickly to resolve the differences in order to get a compromise bill passed through both Houses and signed by the President before the September 30 deadline.

Aflatoxin Continues to be a Focus of Attention in Europe and Japan

Higher than normal insect damage in the FY 17/18 crop has led to increased aflatoxin rejections in the EU and Japan.

ABC engagement with the European Commission has focused on efforts through the Pre-Export Checks (PEC) program to minimize shipping lots with potentially higher aflatoxin levels being shipped to Europe. Tightening PEC provisions and follow up on all rejections have been positively viewed by the EU but maintaining the PEC program will be predicated on seeing rejections decrease as over the coming months.

Japan's testing regime has resulted in numerous rejections, despite the high-quality grades and pre-testing which many shippers employ. ABC is meeting with Japanese authorities and USDA/FAS officials to explore possible joint initiatives which could reduce retesting in Japan.

The Almond Conference

Reminder! Many of these issues will be covered during the Almond Conference, December 4-6, 2018 in Sacramento. The 2018 Almond Conference is expected to be the largest ever, with over 4,000 attendees and 250 exhibitors. **Register now at:** www.Almondconference.com. Hotels are accepting reservations.

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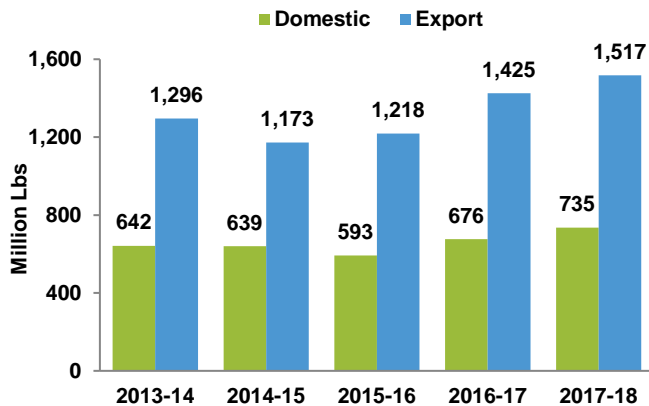
Export and Domestic Shipments for 2017/2018

Health benefits, versatility, and quality are all drivers of global demand for California almonds, which continues to be strong across markets and product types. FY 17/18 saw records for domestic shipments, exports, and production.

Total Shipments

Overall shipments were 2.25 billion pounds. The U.S. accounted for 33% share of total shipments at 735 million pounds. Exports destined for more than 100 countries around the world represented 67% of total shipments.

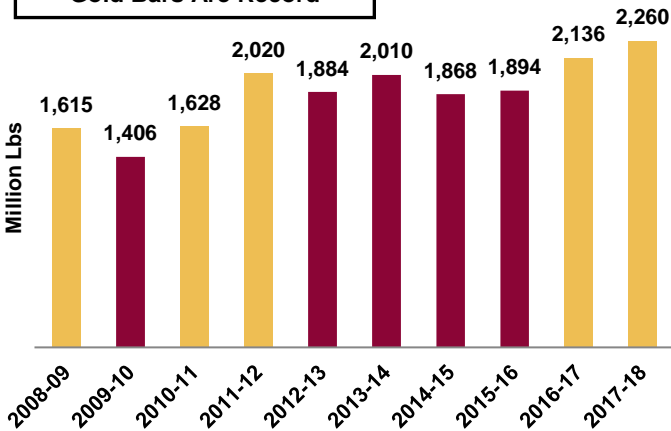
DOMESTIC & EXPORT SHIPMENTS 2017/2018



Production

Crop year 2017/18 production of 2.26 billion pounds is the largest crop on record. Overall production reflected improved weather conditions and expanded acreage.

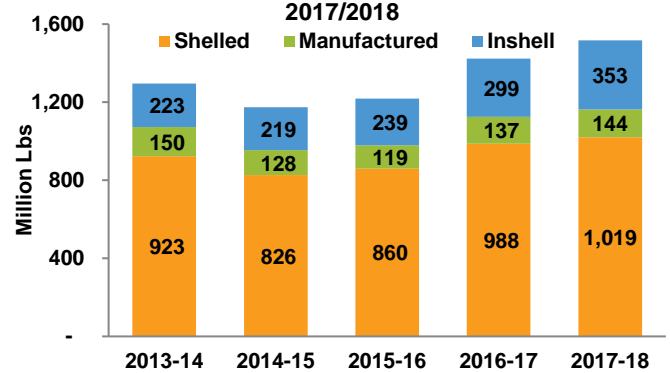
Gold Bars Are Record



Export Shipments

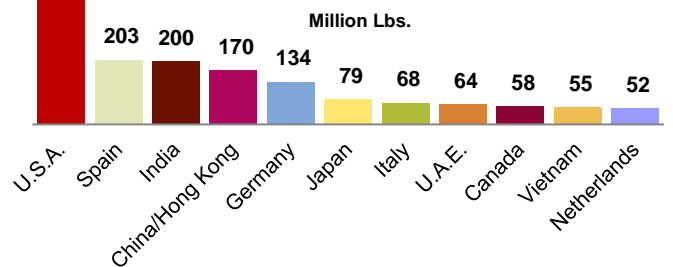
Exports of shelled almonds were up 3% over last year to 1.019 million pounds, while inshell shipments were 353 million pounds, an increase of 15% compared with last year.

EXPORT SHIPMENTS BY PRODUCT TYPE 2017/2018



The top five export destinations (Spain, India, China, Germany and Japan) account for about 77% of total export shipments.

Top Ten Export Destinations



Regional Exports

The Asia-Pacific region at 613 million pounds (41%) now accounts for the largest export region, surpassing Western Europe at 583 million pounds (39%).

ALMOND EXPORTS BY REGION 2017/2018

