

ABC Global Update – FY 18/19 Year End

FY 18/19: Strong Shipments Despite Challenges!

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.

U.S. to Add 10% Tariff to Chinese Products

On August 1, President Trump announced tariffs of 10% on \$300 billion of Chinese products that had not previously faced tariffs, to begin September 1. The decision ends the pause in the U.S. - China trade war that was agreed to in June, and comes on the heels of negotiators having been in Shanghai earlier in the week.

In comments to press, the president threatened further increases, saying that tariffs could be raised to "well past 25%".

The list of affected products will be based on [the list released in May](#), but could be changed before the tariffs are implemented. The list released in May does not include almonds, but does include peanuts, macadamia nuts, hazelnuts, Brazil nuts, and several other varieties of nuts.

Following the U.S. decision, Chinese authorities responded in two ways: first, the China central bank allowed the RMB to fall below 7 to the dollar, its lowest level against the dollar since 2008. The second move was to direct state-owned enterprises (SOEs) to "halt all purchases of U.S. ag imports." While almonds are not purchased through SOEs, ABC is closely following the move to see if there is pressure on private commercial contracts.

Aflatoxin Rejections in Japan on the Rise; EU Rejections Lower

As of 8/1/19, there have been **19** U.S. almond consignments rejected in Japan

for aflatoxins in excess of acceptable levels (10 ppb). While still far from the 42 rejections in calendar 2018, June and July of the current year have seen a steady increase in rejections. With the Inspection Order still in place, 100% of all almond shipments to Japan are being inspected, utilizing a sampling procedure that is not representative of the lot.

The ABC has been calling for a lifting of the 100% Inspection Order as well as sampling methods consistent with global standards. With the assistance of the U.S. Foreign Agricultural Service staff in Tokyo, ABC GTRA staff has been communicating these concerns to Japanese Health officials, providing information on U.S. procedures as well as encouraging a technical exchange to further discuss a way to reduce additional testing in Japan.

Meanwhile, as of 8/12/19, **9** Rapid Alerts have been issued in the EU for aflatoxins in U.S. almonds (**5** in Spain and **4** in Italy). This is a vast improvement from the 23 alerts issued by the same time last year. Backed by these statistics, GTRA staff has made the case for a return to the less than one percent inspection levels in the EU; based on data from Spanish and Italian authorities, the rejections represent less than 2% of inspected consignments, well within anticipated statistical variability.

It is anticipated that authorities in Brussels will make a determination in the coming weeks directing Member States to return to <1% inspection rates for PEC consignments.

U. S. and UK – Opportunities for a Trade Deal?

With a new Prime Minister now in place, U.S. officials are meeting with the UK to continue discussions for a trade deal following Brexit.

Under EU law, the UK cannot begin to negotiate trade deals until it leaves the EU market. The question is what happens on October 31, the next date when the UK is scheduled to leave the EU. If there is a

transitional deal in place, the UK could remain in the single market and begin negotiating trade deals which could be ratified once exit from the EU is complete.

EU Food Safety Survey Reveals Consumer Preferences

According to a recent European Food Safety Authority (EFSA) [study on European consumer food safety concerns](#), the most important factors for Europeans when buying food are where the food comes from (53%), cost (51%), food safety (50%) and taste (49%). Interestingly, nutrient content is considered slightly less important (44%) while "ethics and beliefs" (e.g. animal welfare, environmental considerations) rank lowest in importance (19%).

Pesticide residues were identified as a top concern by 39% of respondents, second only to vet drug residues in meats. Meanwhile, the percentage of consumers who are concerned about genetically modified foods has declined since 2010.

Furthermore, on food safety issues, more consumers expressed trust in scientists (82%) and consumer organizations (79%) than in EU institutions (58%).

Consumers in much of Western Europe were most concerned about cost, especially in the UK, Ireland, and Portugal. In Mediterranean (excluding Italy) and Central European countries, consumers were most concerned about food safety; while consumers in Scandinavian countries were most concerned with country of origin.

It is important to note that 2/3 of respondents indicated they changed their consumption behavior as a result of information [that they have heard or read about](#) a food risk; 33% made a permanent change while another 33% temporarily changed their behavior.

Staff Contacts:

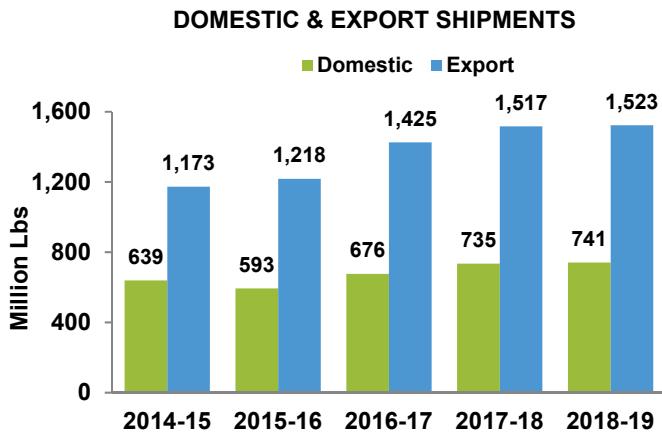
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Export and Domestic Shipments for 2018/2019

Global demand for California almonds continues to be strong across countries and product types. Even with trade challenges in several of our key markets, FY 18/19 saw records set for domestic shipments, exports, and production.

Total Shipments

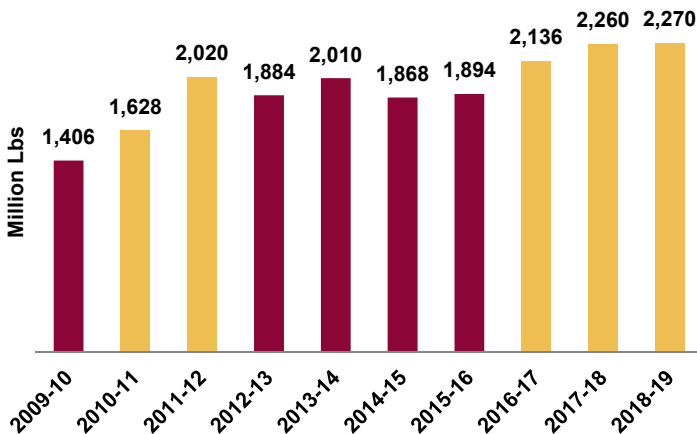
Overall shipments were 2.27 billion pounds. The U.S. accounted for 33% share of total shipments at 741 million pounds. Exports destined for more than 100 countries around the world represented 67% of total shipments.



Production

Crop year 2018/19 production of 2.27 billion pounds is the largest crop on record. Overall production reflected improved weather conditions and expanded acreage.

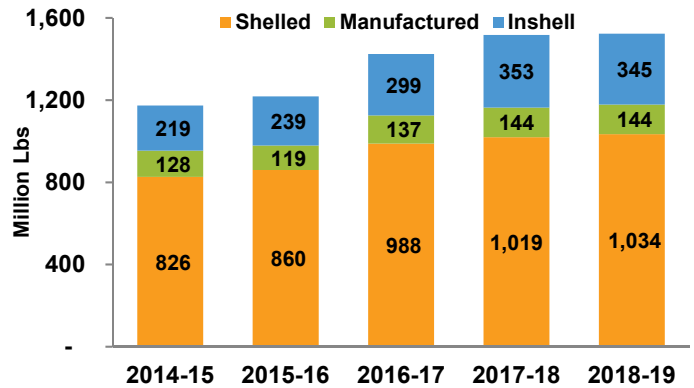
Gold Bars Are Records



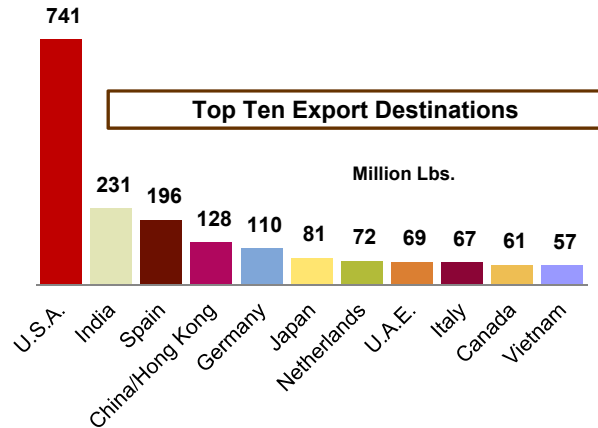
Export Shipments

Exports of shelled almonds were up slightly over last year to 1.034 million pounds, while inshell shipments were 345 million pounds, down slightly from 353 million pounds in FY 17/18.

EXPORT SHIPMENTS BY PRODUCT TYPE



The top five export destinations (India, Spain, China, Germany and Japan) account for about 49% of total export shipments.



Regional Exports

The Asia-Pacific region at 619 million pounds (41%) now accounts for the largest export region, surpassing Western Europe at 572 million pounds (38%).

