



Is the U.S. Tree Nut Industry Nearing the End of its Golden Run?

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Key Points:

- California's tree nut industry has grown by leaps and bounds during the past 10-15 years, with global demand outpacing supply during most of this period. Nut prices soared along with profitability.
- Since 2012/13, tree nut output has continued to grow, albeit more slowly than before, while global demand appears to have hit a wall and begun to slow, spurring sharp downturns in nut prices.
- U.S. nut exports destined for China fell 56 percent during 2012-15 – a worrisome development given that Chinese demand for nuts had been a major engine of growth for the U.S. tree nut industry during the previous decade.
- While U.S. nut exports to China and domestic consumption have been flagging, U.S. exports to other destinations have picked up since 2010, taking up some though not all of the slack.
- The recent weakness in demand has triggered sharp corrections in tree nut prices. During the past few months, nut prices have receded to 2010-12 levels, and the price relief has started to re-energize demand for U.S. tree nuts.
- The U.S.'s share of total global tree nut exports peaked in 2012/13 and has ebbed since then, due to a slowdown in U.S. production along with increased output elsewhere in the world.
- With thousands of newly planted acres of nuts yet to come into production, the U.S. tree nut supply will continue growing. An additional 1.2 to 1.3 billion pounds of tree nuts are expected by 2020, a daunting 35-38 percent increase above the 2015 crop.
- Looming ahead is a bumpy road. The U.S. tree nut industry will face several headwinds, including the strong U.S. dollar, a huge increase in supply, water difficulties, a tepid global economy, and increased global competition – all of which point to reduced profitability.

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