Final Report

Market Development Program - Europe

Project leader:

Ross Skinner, CEO Almond Board of Australia

Delivery partner:

Almond Board of Australia

Project code:

AL16010

Project:

Market Development Program – Europe AL16010

Disclaimer:

Horticulture Innovation Australia Limited (Hort Innovation) makes no representations and expressly disclaims all warranties (to the extent permitted by law) about the accuracy, completeness, or currency of information in this Final Report.

Users of this Final Report should take independent action to confirm any information in this Final Report before relying on that information in any way.

Reliance on any information provided by Hort Innovation is entirely at your own risk. Hort Innovation is not responsible for, and will not be liable for, any loss, damage, claim, expense, cost (including legal costs) or other liability arising in any way (including from Hort Innovation or any other person's negligence or otherwise) from your use or non-use of the Final Report or from reliance on information contained in the Final Report or that Hort Innovation provides to you by any other means.

Funding statement:

AL16010 is funded by the Hort Frontiers, part of the Hort Frontiers strategic partnership initiative developed by Hort Innovation, with co-investment from Almond industry research and development levy and contributions from the Australian Government.

Publishing details:

ISBN 978 0 7341 4617 5

Published and distributed by: Hort Innovation

Level 7
141 Walker Street
North Sydney NSW 2060

Telephone: (02) 8295 2300

www.horticulture.com.au

.

Contents

Summary

The Almond Board of Australia has developed, managed and executed a continuous, industry-wide Export Market Development Program during a period where exports of Australian almonds have grown from approximately 2,000 tonnes to 80,000 tonnes. The Australian Almond Export Market Development Program has developed a successful model for growing export volume through a coordinated and collaborative schedule of international trade exhibitions, trade seminars and trade communications.

The context of this Milestone report is the accelerating growth of the Californian almond industry compared to an Australian almond crop that was negatively impacted during 2015-18 by adverse agricultural issues such as frost, hail and pest damage. Importantly, the Australian crop of 104,000 tonnes in 2019, will grow to 161,000 tonnes by 2025. The table below identifies the production growth of both the Californian and Australian almond industries.

Production	Measure	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	5yr Inc
Calif	Billions/pounds	1.87	1.89	2.14	2.26	2.27	2.55	36%
	Tonnes	848,073	857,143	970,522	1,024,943	1,029,478	1,156,463	36%
Aust	Tonnes	65,060	82,509	82,333	79,461	79,901	104,000	60%

Note that Californian almond production has risen from 857,143 tonnes in 2015-16 to a forecast 1,156,463 tonnes for their 2019-20 year.

Given the Australian almond industry's forecast production growth, the value of an effective marketing and communication program to our key export markets is even greater considering the increasing competitive pressures Australian almond growers and exporters are facing.

The objective of project "AL16010, the Australian Almonds Market Development Program – Europe", is to continue to strengthen the Australian almond industry's position in Europe as Australian almond production increases. It is important to note that global production of almonds is forecast to grow by 40% in the next five to six years.

This project assists in funding part the Australian almond industry's market development program primarily financed by the Almond Board of Australia's voluntary marketing levy paid by growers and collected on 99% of production.

Keywords

Established Markets

Emerging Markets

Trade Exhibitions

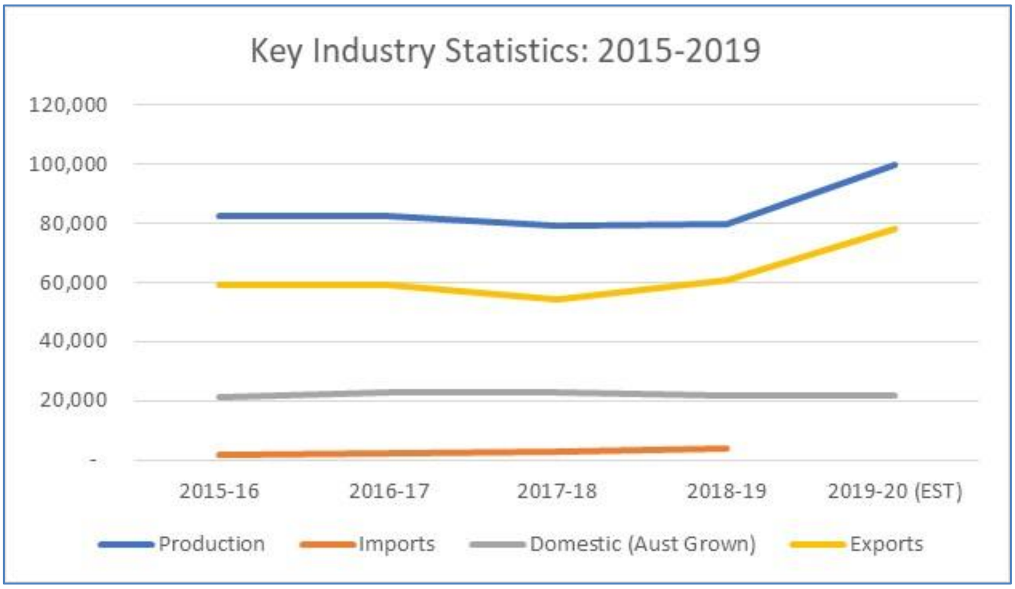
Trade Communications

Introduction

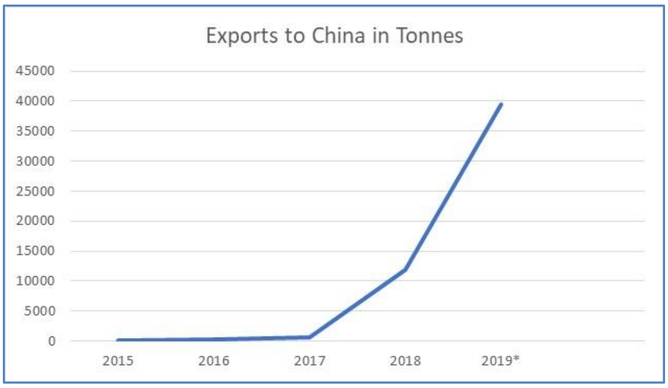
The objective of Project AL16010 was to strengthen the key Established Market of Europe for the Australian almond industry. This project included three major European food trade exhibitions: Anuga 2017, Sial Paris 2018 and Anuga 2019. The three Australian almond crop years covered by AL16010 were: 2017-18, 2018-19 and 2019-20. The table and graph below highlight the key industry statistics that have driven our export results of the past three years. The most important statistic relates to production. Australian almond production was negatively impacted from numerous horticultural issues during the 2016, 2017 and 2018 crop years. These issues included poor weather during the blossom season, excessive heat prior to hull split in summer and extensive insect damage. These issues resulted in crop volumes below forecast.

	2015-16	2016-17	2017-18	2018-19	2019-20 (EST)
Production	82,509	82,333	79,461	79,901	104,000
Imports	1,708	2,538	3,092	4,106	3,500
Domestic (Aust Grown)	21,208	22,654	23,074	21,662	22,500
Exports	59,307	58,963	54,343	60,889	78,000

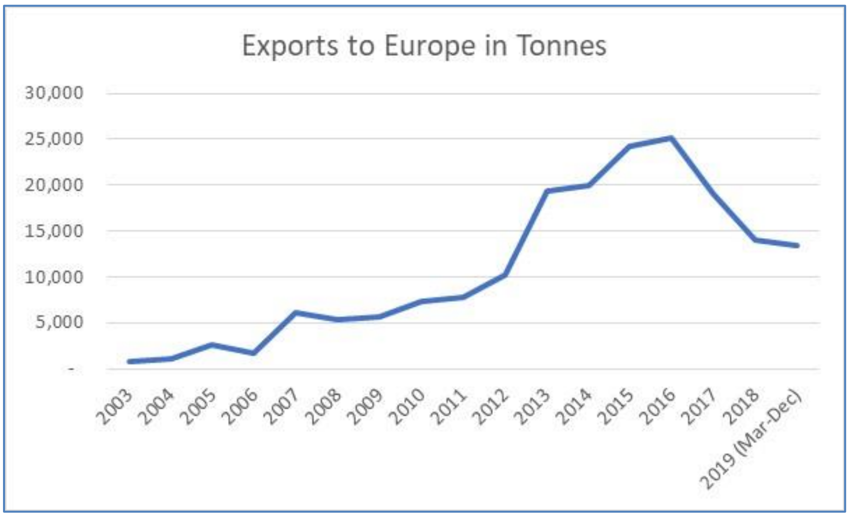
A result of the smaller than forecast crops for the 2016-18 period was a limitation on the volume available for export. However, a good growing season for the 2019 crop has seen production volume rebound. The 2019 crop is estimated at 104,000 tonnes, setting a new record. Export volumes for the 2019-20 marketing year are also forecast to achieve a record of 78,000 tonnes.



Australian almond export sales for the 2018-19 and 2019-20 marketing years have been marked by an extraordinary sales increase to China. This was the result of the tariff dispute between China and the USA which lead China to place retaliatory tariffs of 50% on Californian almonds. At the same time, the Free Trade Agreement between China and Australia resulted in a zero tariff on Australian almonds. This tariff imbalance gave Australian almond exporters a profit premium by selling into China over any other available market. The graph below highlights the export sales growth to China. (Note the 2019 figures are a forecast.)



The rapid growth of Australian almond exports to China led to reduced product availability for other markets including Europe. The graph below highlights the export volumes of Australian almonds to Europe during the term of AL16010.



Methodology

The principal methods used in project AL16010 were:

- trade exhibitions including the representation of the Australian almond industry at Europe's major food fairs, namely Anuga in Cologne and Sial in Paris; providing a platform for Australian almond growers and exporters to engage with international stakeholders; and undertaking logistical arrangements on behalf of the participants
- trade communication including updating and distributing industry brochures and videos
- regular communication with key European Food Regulators who are responsible for influencing the inspection regime of imported Australian almonds into Europe.

Trade Exhibitions at Anuga and Sial Paris from 2017 to 2019

The Australian almond industry exhibited at three major European trade fairs during the 2017-19 period of AL16010: Anuga in 2017, Sial Paris in 2018 and Anuga in 2019.

Anuga, Cologne: October 7-11, 2017

Anuga in Cologne, Germany, is one of the world's largest food and beverage industry promotions. It is held biennially and in 2017, ran from October 7 to 11. Anuga attracted approximately 165,000 visitor entries from 198 countries. The share of international visitors was 75%. There were more than 7,400 exhibitors from 107 countries and the share of international exhibitors was 90%. To give a context of the size of the expo, the 2017 Anuga expo covered more than 284,000 sqm.

The Australian Almonds stand at Anuga was situated within the Fine Foods section of the exhibition. It was also situated close to the USA pavilion which provided a convenient solution to our customers who can visit the pavilions of both the Californian and Australian almond industries. As Anuga occurred in October, there was a lot of trading discussion with the Australian marketers about the 2018 Australian almond new season.

The creative on the walls of the Australian Almonds exhibition booth highlighted the recent blossom season. This acts to illustrate the counter-seasonal nature of the Australian almond crop when compared to the Californian almond industry. The updated industry video was prominently displayed and played throughout the Anuga trade exhibition. The Australian Almonds exhibition at the 2017 Anuga trade fair was attended by four of the five Australian almond exporters: Olam Orchards Australia, Select Harvests, Almondco Australia, Nut Producers Australia and the Almond Board of Australia.

The main objectives of the Australian almond exhibition at Anuga 2017 were to provide a forecast on the upcoming 2018 Australian almond crop and for the Australian almond growers and exporters to build their key customer relationships.

Although the pressures of drought in California had eased, many international almond buyers who had not previously purchased Australian almonds were interested to learn more about the Australian almond industry and to commence building relationships with the Australian almond marketers.

The qualitative response to the effectiveness of the 2017 Anuga program by the Australian almond growers and exporters was very positive. The five days and evenings of the Anuga trade show provided a number of opportunities for the Australian almond marketers to meet one-on-one with their key European customers.

Sial, Paris: October 21-25, 2018

Sial Paris is also a biennial trade fair and in 2018 ran from October 21 to 25. This exhibition attracted over 160,000 visitors, 70% of which were international visitors from 194 countries. There were more than 7,200 exhibitors – 87% of which were international exhibitors from 119 countries. The 2018 Sial Paris expo was more than 250,000 sqm.

The Australian Almond stand was located in a pavilion developed for the International Nut and Dried Fruit Council (INC). This is a major representative body for the global nut industry. By being located within this INC pavilion, we were able to leverage the customer traffic of more than 30 different nut traders.

As Sial Paris occurred in October 2018, there was a lot of discussion with the Australian marketers about the 2019 Australian almond new season. There was significant discussion around the positioning of Australian almonds within the China market given the retaliatory tariff of 50% imposed by the Chinese government on Californian almonds. There was uncertainty within the European trading environment as to the flow-on impacts on pricing if there were additional Californian almonds, not sold into China, available for the European market.

Another feature of the 2018 Sial Paris exhibition was the Innovation Hub that highlighted new products and new technologies such as Augmented Reality applications for on-pack merchandising. There was also a series of presentations on the future of the global food industry which highlighted trends relevant to the almond trade. One key presentation of the Innovation Hub looked at the 'Future of Food'. The insights and questions posed in this presentation was discussed at the February 2019 ABA Market Development Committee meeting that reviewed the Australian almonds exhibition at Sial 2018. The four key themes in the 'Future of Food' presentation were: will we be able to feed the world in 2050; who will be making the meals and will there be digitally assisted home cooking or robots; will food become our best medicine and will it become customized; how far will transparency go as it increasingly involves the entire system, from field to fork.

Anuga, Cologne: October 5-9, 2019

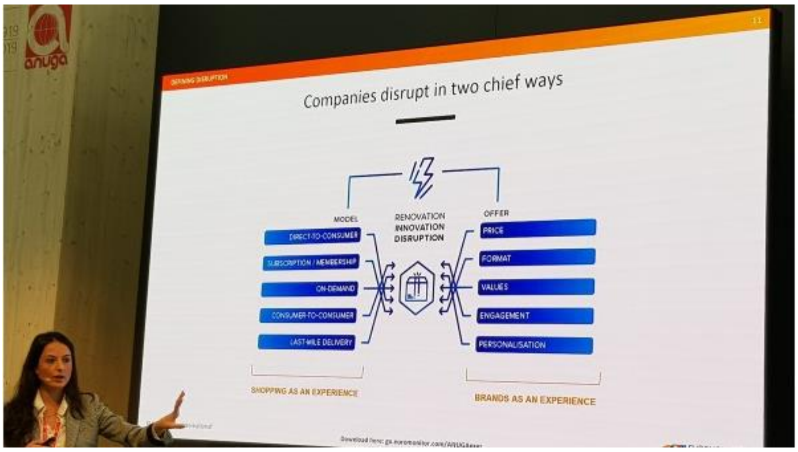
Anuga 2019 attracted 165,008 professional visitors, 70% of which were international visitors from over 200 countries. There were 7509 exhibitors, of which 89% were international exhibitors from 107 countries.

The Australian Almonds stand at Anuga is situated within the Fine Foods section of the exhibition. It is also situated close to the USA pavilion which is very beneficial to the Australian almond industry as California supplies 80% of the world's almonds and the Australian Almonds booth is convenient to the almond and nut traders who visit the Californian almond exhibitors.

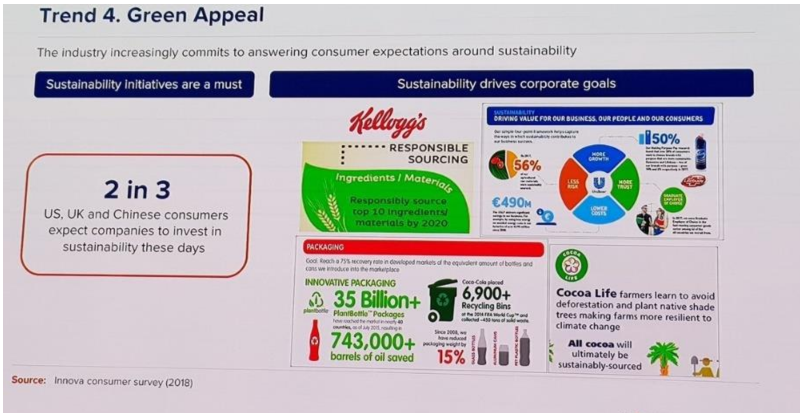
As Anuga takes place in October, there was a lot of trading discussion with the Australian marketers about the 2020 Australian almond new season and the future global trading implications of the US-China trade dispute.

Another feature of the 2019 Anuga exhibition was the 'Anuga Trend Zone' that highlighted new product innovations. There was also a series of presentations on the future of the global food industry which highlighted trends relevant to the almond trade.

Euromonitor International delivered a presentation on disruption in the food industry. They looked at the spectrum of "renovation to innovation to disruption". Renovation results in "improving what consumers do today" whereas disruption is about "reinventing consumer behavior".
Euromonitor argued that companies disrupt in two main ways: shopping as an experience and brands as an experience. One key point was to take disruption seriously and understand that the new business models and brand offers are changing consumer expectations.



Another important presentation was made by Innova Market Insights. They outlined their Ten Key Trends for the food industry. One highlighted trend – Green Appeal – was of significant interest to the Australian almond industry. They argued that consumer expectations around sustainability have risen to the point that industry and brand initiatives in this space "are a must". The presenter quoted examples from Kellogg's and Unilever where sustainability drives corporate goals.



The presenter also highlighted new product development examples that featured alternatives to single-use plastic and initiatives to reduce food waste.
The key insights from the Anuga Trend Zone were discussed at the ABA Market Development Committee meeting in February 2020 during the review discussion of the Anuga exhibition.

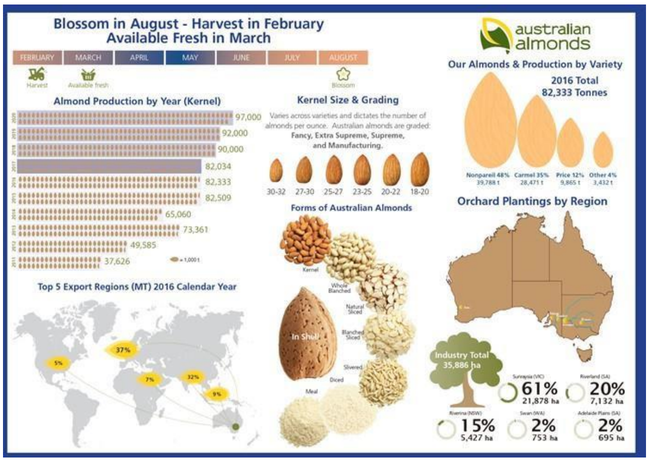
Communications

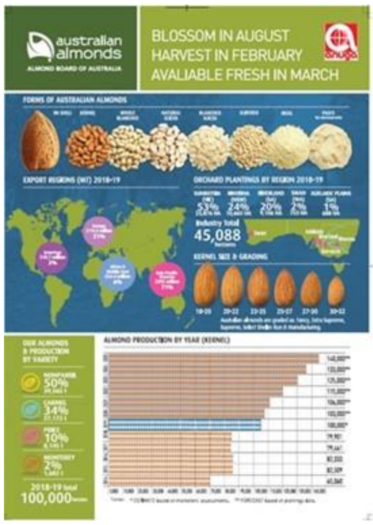
During the period of AL16010, a portfolio of key communication resources was created and regularly updated. These communication resources included the Guide to Australian Almonds and the double-sided single page Infographic that summarises the Guide.

Resources: Guide to Australian Almonds

The Guide to Australian Almonds was substantially refreshed during AL16010:

Infographic: double-sided single page summarising the Guide to Australian Almonds



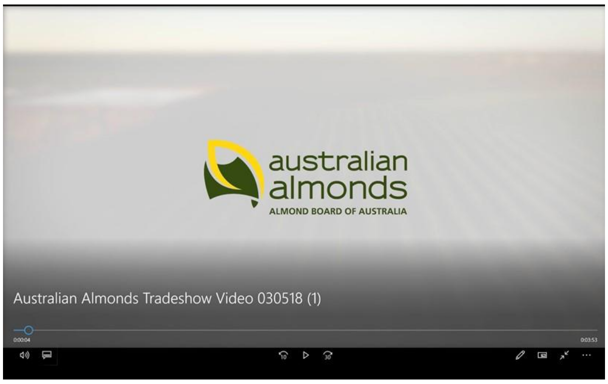


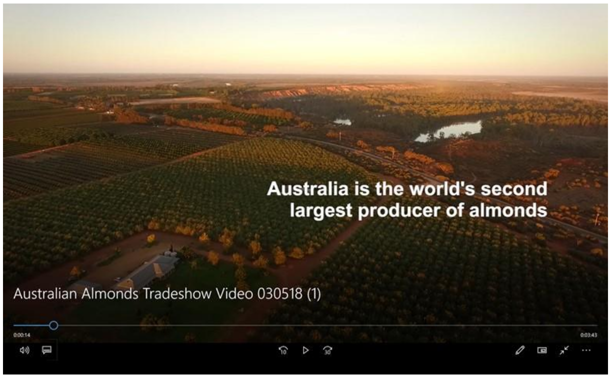
Trade communication videos

Video communication has played an important role throughout AL16010. The videos have been featured in the trade exhibitions and via email link to the industry Vimeo platform.

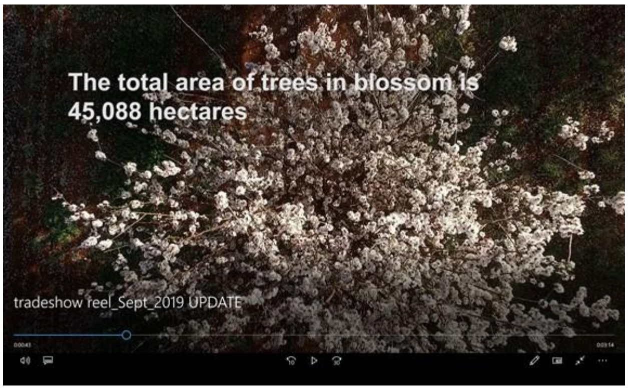
The key trade video that showcases the Australian almond industry and is a showpiece of our exhibitions was updated to reflect the 2018 and 2019 crop forecasts. It also included the new plantings that have been a major feature of the Australian almond industry's development over the past three years. This video is used in the relevant customer presentations and discussions.

Updated trade show video for Sial Paris, 2018





Updated trade show video for Anuga Cologne, 2019



Communication with key European food regulators

During the period of AL16010, the CEO of the Almond Board of Australia (ABA), Ross Skinner, managed the industry's European food regulation issues. The ABA CEO visited the International Nut Council at Reus, Spain to meet in person staff of the International Nut Council who the ABA interacts with in regards to trade issues in Europe and around the world.

The ABA CEO also met with senior management at the Crisol de Frutos Secos head office at Reus, Spain regarding the management of their quality assurance and traceability programs with their Spanish growers to meet Spanish government requirements. This was a valuable meeting given the Australian industry's history of breaches for Aflatoxin in the EU and Spain in particular, that saw inspection frequency increase from 5% to 20% causing added testing expense, delays in clearing port and reputational damage.

The ABA CEO met with Jorge de Saja, Director General of Almendrave (the Almond Board of Spain), in Madrid. The meeting provided an opportunity to discuss the respective industries and the activities undertaken by the Boards. It was noted that the Spanish Board was not well resourced and lacked promotion funding to develop markets on a whole of industry basis. The Board's staff worked for other industries as well as almonds. Jorge de Saja offered to assist with issues the Australian almond industry may face in Europe. This offer was taken up in 2019 when following a series of Aflatoxin A breaches in Spain by Australian almonds that underwent secondary processing in Vietnam the Spanish government via Almendrave wanted an assurance by them that the Australian industry had addressed the issue otherwise additional testing procedures would be introduced. After liaising with the ABA, Jorge de Saja provided an assurance to the Spanish authorities and no additional measures were imposed. No further breaches have occurred since the assurance was provided.

Further liaison with Jorge de Saja has occurred in relation to the current negotiations establishing an FTA between Australia and the EU. These discussions have focused on the objections by Spain and Croatia to the removal of tariffs on Australian almonds. This is ongoing.

The ABA CEO has met with Anna Boulova, General Secretary of Frucom, and Romans Vorst, senior Policy

Advisor, at their office in Brussels in 2017 and at the Anuga Trade Event in Cologne in 2019. Frucom is officially recognised by the European Institutions as the representative body of European traders in dried fruit and nuts, processed seafood, and processed fruit and vegetables. The ABA is a member of Frucom and liaises with them regarding food safety regulations for the European market, the destination for 20-30% of Australian exports.

The discussions held during the period of the project covered the following topics:

- pesticide legislation in Europe involving a large number of amendments to the draft and tight deadlines to agree on compromise text leading to parts being removed that was considered to be “a shambles”
- endocrine criteria rejected by EU Parliament in heavily politicized decision
- Glyphosate approval for use in Europe involving both EC and country decisions.
- Fosetyl-al MRL in Europe that threatened shipments to Europe as the default position was four times the lowest levels found in Australian almonds. The resulting extension of the temporary MRL enabled testing to be conducted that introduced an MRL that Australian almonds readily comply with. ABA liaison with the Almond Board of California on this issue was critical to achieving a positive outcome.
- The Almond Board of Australian and the Almond Board of California worked together to present arguments that Neonicotinoid chemicals, Iprodion and Chlorothalonil should maintain their ‘approval for use’. Unfortunately, their ‘approval for use’ was withdrawn by the EU. The ABA worked closely with DFAT’s European Agricultural Counsellor in these presentations.
- With the removal of approval to use a chemical in Europe there is a period of transition to a nil MRL. The ABA working with Frucom and the EU has been able to put in place adequate transition periods to allow Australian almonds produced when the chemical was approved for use to be marketed over an extended period necessary for a durable product. This approach applied also to the chemical products nominated above.
- Endocrine disruptor testing of pesticides is currently raising concerns for more than a hundred pesticides
- Aflatoxin sampling protocols. After a series of breaches of EU limits for Aflatoxin A in almonds the inspection frequency for Australian product increased from one in 20 to one in five. This has subsequently been reduced to again test 5% of containers. The ABA has been monitoring other country breaches and the subsequent discussions regarding testing protocols and also the application of testing to low quality product that is not destined for human consumption.

The ABA co-funded research managed by Frucom in 2019 that identified at risk chemicals in the EU and another project that responded to the draft EFSA Opinion on Ochratoxin A that was put out for public consultation.

Outputs

The key outputs of project AL16010 are segmented into trade exhibitions, trade communication and on-going communication with the European food regulatory authorities.

The trade exhibitions that were planned and managed were:

- Anuga in Cologne: October 7-11, 2017
- Sial in Paris: October 21-25, 2018
- Anuga in Cologne: October 5-9, 2019.

The trade communications that were developed and distributed were the Guide to Australian Almonds and the Australian Almonds Infographic. Both resources were updated for each of the three major trade exhibitions. There was a substantial new creative development and customization for the Australian Almonds exhibition at Anuga in 2019.

The Australian Almonds trade video was also updated for each of the three exhibitions held within the scope of AL16010. It was presented within the Australian Almonds exhibition booth and also personally in customer presentations. The video was also distributed to the major industry customers via email link to the industry’s Vimeo platform.

The ABA’s CEO met with the key European food regulators relevant to the almond category on numerous occasions during the period AL16010. Communication is on-going to address trade issues and ensure container testing for Aflatoxin remains at 5%.

Outcomes

The outcomes of AL16010 contribute to the Almond SIP's Outcome for Market Growth. This states that export sales will increase from 64,000 tonnes in 2016 to 110,000 in 2022.

These objectives are consistent with the most recent industry statistics and forecasts. The Australian almond crop in 2016 was 82,337 tonnes. Total export volume in 2016 was 58,964 tonnes. The current production forecast for 2022 is 131,000 tonnes. Given a relatively stable domestic market, the forecast for export volume in 2022 is 107,000 tonnes.

The key outcome of AL16010 has been to strengthen the European market for the long-term growth of Australian almond exports. The project's work of growing key European customer relationships during a volatile global almond market, marked by the significant trade dispute between China and the USA, will help the Australian almond industry to help meet the Almond SIP.

AL16010 provided the Australian almond industry's export program to Europe with a structure of key exhibitions, trade communication resources and ongoing dialogue with European food regulators.

Monitoring and evaluation

The summative evaluation of AL16010 includes both a quantitative analysis of the Australian almond export statistics and a qualitative review of the insights of the Australian almond exporters, who fund the ABA's investment in this project and who represent more than 95% of Australian almond production and sales.

Quantitative analysis of Australian almond export statistics

During the period of project AL16010, several key factors impacted on the specific export sales volume to Europe. Importantly, the Australian almond production was negatively impacted by several horticultural issues during the 2016 to 2018 crop years. This crop shortage had a flow-on negative effect on total export volume. The table below shows total production hovering around 80,000 tonnes and total exports moving between 55,000 tonnes and 60,000 tonnes.

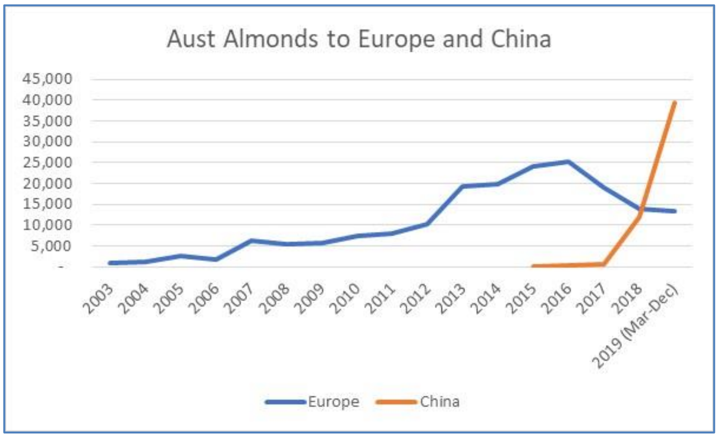
	2015-16	2016-17	2017-18	2018-19	2019-20 (EST)
Production	82,509	82,333	79,461	79,901	104,000
Imports	1,708	2,538	3,092	4,106	3,500
Domestic (Aust Grown	21,208	22,654	23,074	21,662	22,500
Exports	59,307	58,963	54,343	60,889	78,000

Another key factor was the tariff dispute between China and the USA resulting in an extraordinary opportunity for the Australian almond exporters to grow significant market share in China at premium levels of profitability.

Aust Almonds Exports	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 (Mar-Dec)
Europe	838	1,132	2,642	1,737	6,152	5,382	5,682	7,340	7,831	10,174	19,401	19,951	24,157	25,114	19,099	14,052	13,387
China													101	317	600	11,860	39,516

The long-term growth trajectory for Australian almond exports to Europe evident from 2003 to 2016 was impacted on the lower crop volume in 2017 and the extraordinary growth in exports to China in 2018-20.

The analysis below looks more deeply at the Australian export sales in the 2018-19 year and in the 2019, March to December period.



ABS Export Statistics for Australian Almonds during the 2018-19 year

A summary of the ABS export statistics for Australian Almonds during the 2018-19 marketing year is below. This table identifies that 14,052 tonnes of Australian almonds were exported to Europe during the 2018-19 marketing year. This reduction in exports of 26% during 2018-19 needs to be placed in the context of the premium profitability in selling to China for the Australian almond exporters.

Australian Exports: 2018-19		**Tonnes**	**% Inc**
Asia Pacific	China	11,860	1877%
	North East Asia	12,953	747%
	South East Asia	10,732	89%
	South Central Asia	15,155	-19%
	Australasia Oceania	1,756	-16%
Total Asia Pacific		**40,596**	**45%**
Europe	Western Europe	13,427	-27%
	Eastern Europe	569	-1%
Total Europe		**14,052**	**-26%**
Middle East & Africa	Middle East	3,249	-21%
	North Africa	363	7%
	Sub-Saharan Africa	286	34%
Total Middle East & Africa		**3,949**	**-16%**
Americas	Latin America	318	35%
	North America	1,981	-12%
Total Americas		**2,299**	**-7%**
World Total		**60,895**	**12%**

The retaliatory tariff of 50% placed by China on Californian almonds, compared to the zero tariff on Australian almonds, created an opportunity for premium profitability for Australian almonds into the China market. However, the Australian almond industry expects this opportunity to be limited in time as China and the USA negotiate a trade agreement. While the significantly increased volume of Australian almond exports to China has a disruptive impact on all other Australian almond export markets in the short term, it is imperative that positive customer relations are maintained in key Established Markets such as Europe for the long term.

A summary of the ABS export statistics for the March to December 2019 period are below. The key point for this table is the continued significant increase in sales of Australian almonds to China: from 11,860 tonnes in 2018-19 to 39,516 tonnes for the period of March to December 2019. Understandably, this expanded volume of Australian almonds to China limits the capacity of the industry to serve other markets. In this period of

March to December 2019, exports of Australian almonds to Europe consolidated to 13,387 tonnes representing a sales decrease of 5% on the previous year.

Australian Exports: March to December 2019		**Tonnes**	**% Inc**
Asia Pacific	China	39,516	247%
	North East Asia	40,297	224%
	South East Asia	4,280	-57%
	South Central Asia	8,732	-42%
	Australasia Oceania	1,942	17%
Total Asia Pacific		**55,251**	**41%**
Europe	Western Europe	12,983	-3%
	Eastern Europe	403	-35%
Total Europe		**13,387**	**-5%**
Middle East & Africa	Middle East	2,984	-3%
	North Africa	494	56%
	Sub-Saharan Africa	219	-23%
Total Middle East & Africa		**3,696**	**1%**
Americas	Latin America	34	-89%
	North America	1,865	1%
Total Americas		**1,898**	**-12%**
World Total		**74,232**	**26%**

An indication of the strength of the European market for Australian almonds was the sales increase in the October to December 2019 quarter of 1,615 tonnes. This is an increase from 1,031 tonnes in the 2018 period to 2,646 tonnes in 2019. The European market remains of major strategic importance to the long-term growth of Australian almond exports.

Europe	2019	2018	Inc Tonnes	Inc %
Oct	1030	446	584	131%
Nov	862	146	716	490%
Dec	754	439	315	72%
Qtr	2646	1031	1615	157%

By way of comparison, the table below summarizes the export volume of Californian almonds into Europe during their 2018-19 crop year. Note that the Californian crop year runs from August through to the following July. During 2018-19, Californian almond exports to Europe represented 27% of their total export volume. Their sales of 608 million pounds represented a 2% decline on the previous year. The key Californian European markets of Spain and Germany reported sales reductions of 4% and 18% respectively over their 2017-18 year.

Californian Exports: 2018-19	Pounds	Tonnes	% Inc
Western Europe	572,648,983	259,705	-2%
Eastern Europe	35,429,726	16,068	-4%
Total Europe	608,078,709	275,773	-2%

The long-term strategic importance of the European market for global almond sales is evident in the growth generated by the Californian almond industry during the August 2019 to February 2020 period. During this trading period, the Californian almond industry exported more than 394 million pounds which was an 11% increase on the previous year (see table below).

Californian Exports: Aug 2019 to Feb 2020	Pounds	Tonnes	% Inc
Western Europe	368,440,102	167,093	11%
Eastern Europe	25,869,122	11,732	20%
Total Europe	394,309,224	178,825	11%

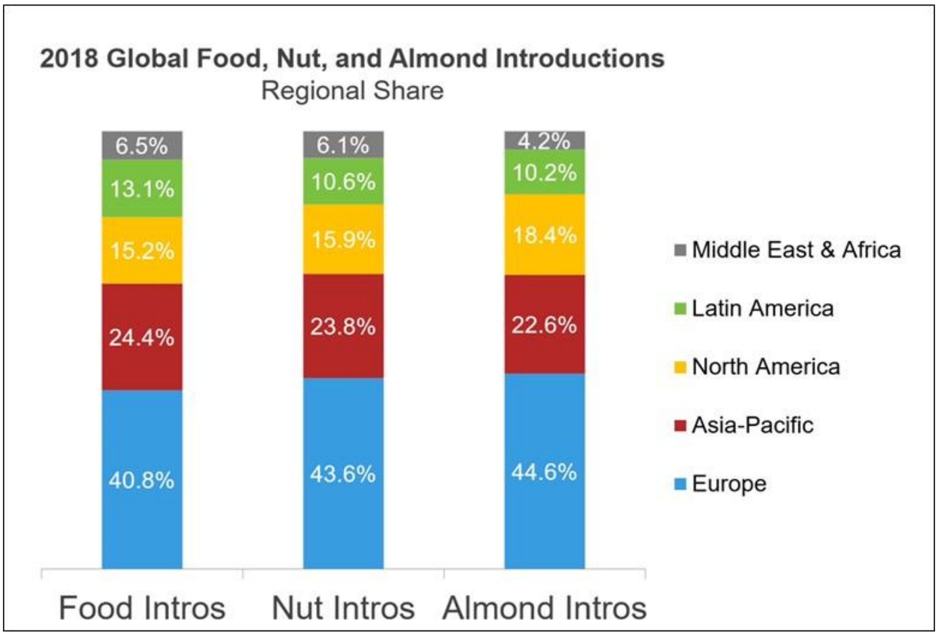
Qualitative review of the insights of the Australian almond exporters

The five Australian almond exporters are: Olam Orchards Australia, Almondco Australia Limited, Select Harvests Limited, Nut Producers Australia and Bright Light Agribusiness. These five marketers represent approximately 99% of all Australian almond exports. They comprise the ABA's Market Development Committee which oversees the direction of the ABA's marketing program.

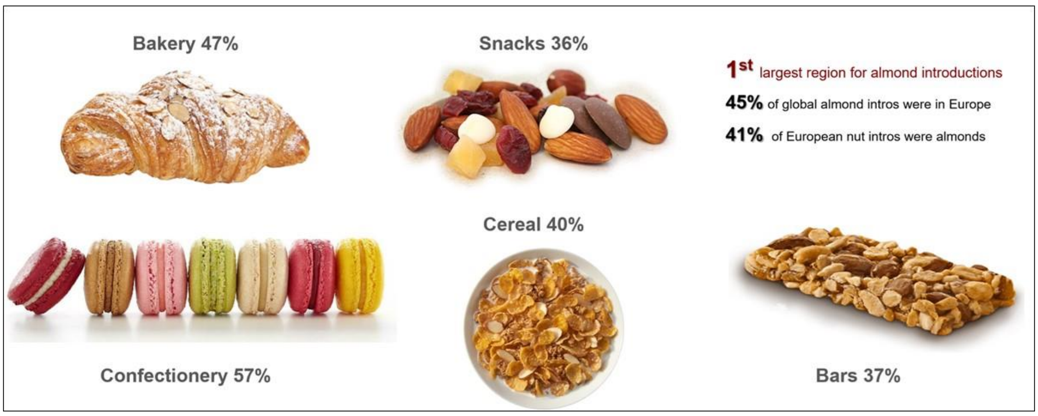
The Australian almond marketers view the European market as strategically important to the long-term growth of the Australian almond industry. They have developed productive customer relationships over the past 15 years that can withstand the short-term impacts of the China-US trade dispute.

From an historical perspective, the Australian almond exporters understand that the European almond market has been supported by two traditional categories: marzipan and bakery. However, eating habits are changing. Although the traditional forms of almond consumption are declining, total almond sales have increased due in large part to the rise of healthy snacking.

The Innova New Product database identifies that Europe is the centre of global food innovation and that this trend also applies to almonds. Europe introduced nearly double the number of almond products as any other region. Note, new product launches often start in the UK for Europe. The graphic below highlights that in 2018, Europe accounted for 40.8% of all food introductions, 43.6% of all nut introductions and 44.6% of all almond product introductions.



Europe leads the world in all five key categories for almond product introductions: 47% of almond bakery introductions, 36% of almond snacks, 57% of almond confectionery, 40% of almond cereal products and 37% of almond bar products.



In summary, Europe is the largest region for almond introductions. Importantly, 41% of all European nut introductions involved almonds.

The Australian almond exporters are aware that the major European snack manufacturers, branded and private label, extend their influence beyond Europe's borders. These manufacturers include Intersnack, Seeberger, Carrefour and Aldi. Furthermore, the major European global chocolate manufacturers generate significant impact in both North America and Asia.

Recommendations

The Australian almond industry is moving into another phase of significant production growth. Although the 2016- 18 period did not deliver the crop volumes previously forecast, the addition of new bearing acres and a return to positive growing conditions will produce higher annual crop tonnages. It is forecast that by 2024, the Australian almond crop will have grown from the 79,901 tonnes of 2018 to 124,000 tonnes.

It is very important strategically for the Australian almond industry to continue to strengthen its market position and customer relationships within Europe. The European market is growing its healthy snacking category and almonds have a strong role in this segment. Europe's leadership in new product introductions and food manufacturing with global reach are other key strategic reasons for the Australian almond industry to continue to focus on this market.

One opportunity for the Australian almond industry's export program in Europe lies in the area of sustainability. The goal will be to develop effective communication resources that bring together the key issues around sustainable practice across the whole supply chain: from farming technology and methodology, a broad-based approach to environmental concerns, high-quality food safety and product quality assurance programs and traceability. It is important to note that the Australian exporters have undertaken significant work in this area and regularly present their whole-of-industry sustainability policies and practices to their European customers to meet their respective internal objectives.

For the Australian almond industry to continue to build its market position in Europe, the industry will need to invest in ongoing engagement with the key European food regulators. The issues around MRL testing and the current European approach to pesticides and hazard criteria threaten to diminish the Australian almond industry's agricultural toolkit.

The Australian almond industry needs to also be actively involved in contributing to the negotiations around a post-Brexit Australia-UK Free Trade Agreement and to the Australia-EU Free Trade Agreement.

Refereed scientific publications

N/A

References

N/A

Intellectual property, commercialisation and confidentiality

N/A

Acknowledgements

N/A

Appendices

N/A