CHINA: DRIVING LONG-TERM GROWTH
Diversity of Shipments – Essential with a Changing Trade Environment
Asia-Pacific Region: Top 5 Countries

crop year | million pounds

<table>
<thead>
<tr>
<th>Year</th>
<th>China/Hong Kong</th>
<th>India</th>
<th>Japan</th>
<th>South Korea</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012/13</td>
<td>125M</td>
<td>66M</td>
<td>46M</td>
<td>66M</td>
<td>46M</td>
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<td>2013/14</td>
<td>145M</td>
<td>76M</td>
<td>53M</td>
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<td>51M</td>
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<td>2014/15</td>
<td>128M</td>
<td>66M</td>
<td>53M</td>
<td>61M</td>
<td>51M</td>
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<tr>
<td>2015/16</td>
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<td>61M</td>
<td>54M</td>
<td>54M</td>
<td>57M</td>
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<td>2016/17</td>
<td>167M</td>
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<tr>
<td>2017/18</td>
<td>200M</td>
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<tr>
<td>2018/19</td>
<td>231M</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>ASIA-PACIFIC</th>
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</thead>
<tbody>
<tr>
<td>2012/13</td>
<td>499M</td>
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<tr>
<td>2013/14</td>
<td>434M</td>
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<tr>
<td>2014/15</td>
<td>428M</td>
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<tr>
<td>2015/16</td>
<td>444M</td>
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<tr>
<td>2016/17</td>
<td>547M</td>
</tr>
<tr>
<td>2017/18</td>
<td>613M</td>
</tr>
<tr>
<td>2018/19</td>
<td>620M</td>
</tr>
</tbody>
</table>
Trade Will Find Alternate Routes to Offset Tariff Issues

- U.S. → China mainland/Hong Kong down 25%
- U.S. → India up 16%
- U.S. → Australia up 50%
- Australia 0% tariff
- Shift from India to China
China: Tariffs Impacting Consumer Decisions

- Still #3 export market – despite 25% reduced shipments
- Now **60% tariff** on kernel (0802.12) and inshell (0802.11)
- Effective December 15(?), Prepared/preserved **20%, 40%**
- Impact of “phase one” agreement?
- Broader concerns: rule of law, internal turbulence, NGO, social responsibility

### Tariff Impact on Purchasing Chinese Food Imported from America
(Total Aware of Tariff n=845)

- Still buy at same frequency as now: 38% July, 48% November, 56% March, 49% October
- Still buy, but not as often: 42% July, 35% November, 34% March, 41% October
- Will only buy a small amount: 47% July, 21% November, 15% March, 12% October
- May not buy before tariff is cancelled: 21% July, 8% November, 5% March, 6% October

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July | November | March | October
--- | --- | --- | ---
Still buy at same frequency as now: 38% | 48% | 56% | 49%
Still buy, but not as often: 42% | 35% | 34% | 41%
Will only buy a small amount: 47% | 21% | 15% | 12%
May not buy before tariff is cancelled: 21% | 8% | 5% | 6%

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*california almonds*
How We are Addressing the Negative Effects of the Trade War

- Continuing strong marketing presence
- Collaboration with nut associations and conferences
- Supporting tariff exemption request
- Creating market access for pelletized almond hulls (meal)
- Educating Chinese stakeholders on uses of almonds as a new ingredient for food products

Building long-term relationships

- Consumer and health professionals
  - Ruder Finn & PHD
  - China Nutrition Society and nutrition professionals

- Government Affairs
  - USDA FAS
  - FCC
  - Yuan Associates

- Trade
  - CNSA
  - CFNA
  - Guangdong Province Nuts Industry Assn
CHINESE CONSUMERS
1.3 billion citizens
22 provinces
5 autonomous regions
815 cities
2 special administration regions
Affluent & middle class exploding
The world’s second largest retail market
Almonds take over as #1 nut most associated with snacking

- Snack associations for almonds increased again in 2019, and almonds blew past pistachios (which saw slight declines in association) to take over the #1 spot

**Snacking Association by Nut Variety**

- **Almonds**: +5%
- **Pistachios**: -2%
- **Walnuts**: -1%
- **Peanuts**: -3%
- **Cashews**: +2%
- **Macadamias**: 0%
- **Pecans**: 0%
- **Pine Nuts**: -1%
- **Apricot Kernels**: +2%
- **Hazelnuts**: -1%
- **Brazil Nuts**: 0%

Q4: When you think about eating whole nuts by themselves as a snack, what one type of nut FIRST comes to mind? SELECT ONE.
Almonds improved on beauty attributes

- Almond delivery tended to improve across the majority of attributes

<table>
<thead>
<tr>
<th>Attribute</th>
<th>2019</th>
<th>Chg</th>
<th>Attribute</th>
<th>2019</th>
<th>Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great tasting</td>
<td>82%</td>
<td>+2%</td>
<td>Convenient*</td>
<td>76%</td>
<td>+3%</td>
</tr>
<tr>
<td>Nutritious</td>
<td>81%</td>
<td>-1%</td>
<td>Low in saturated fat</td>
<td>76%</td>
<td>+5%</td>
</tr>
<tr>
<td>A healthy snack</td>
<td>81%</td>
<td>0%</td>
<td>Rich in antioxidants</td>
<td>75%</td>
<td>0%</td>
</tr>
<tr>
<td>Natural</td>
<td>81%</td>
<td>0%</td>
<td>Tides me over to the next meal</td>
<td>75%</td>
<td>+2%</td>
</tr>
<tr>
<td>A snack I feel good about eating</td>
<td>81%</td>
<td>0%</td>
<td>A food I crave</td>
<td>74%</td>
<td>+2%</td>
</tr>
<tr>
<td>Gives me energy</td>
<td>81%</td>
<td>+1%</td>
<td>Good for flexitarian diet**</td>
<td>74%</td>
<td>N/A</td>
</tr>
<tr>
<td>Fun to eat</td>
<td>81%</td>
<td>+4%</td>
<td>Non-GMO</td>
<td>73%</td>
<td>0%</td>
</tr>
<tr>
<td>For the whole family</td>
<td>80%</td>
<td>0%</td>
<td>Good for beauty/skin</td>
<td>73%</td>
<td>+2%</td>
</tr>
<tr>
<td>Crunchy</td>
<td>80%</td>
<td>+1%</td>
<td>Grown in a way that is good for the environment</td>
<td>72%</td>
<td>+4%</td>
</tr>
<tr>
<td>A food for me</td>
<td>79%</td>
<td>+3%</td>
<td>Easy to eat on the go</td>
<td>72%</td>
<td>+3%</td>
</tr>
<tr>
<td>Good for the brain</td>
<td>79%</td>
<td>+1%</td>
<td>Everyday food</td>
<td>72%</td>
<td>+2%</td>
</tr>
<tr>
<td>Portable*</td>
<td>79%</td>
<td>+3%</td>
<td>A source of fiber</td>
<td>72%</td>
<td>+1%</td>
</tr>
<tr>
<td>Something that will fill me up</td>
<td>78%</td>
<td>+1%</td>
<td>Good for digestive health</td>
<td>70%</td>
<td>-2%</td>
</tr>
<tr>
<td>Heart healthy</td>
<td>78%</td>
<td>+2%</td>
<td>Good for beauty from the inside out</td>
<td>70%</td>
<td>+1%</td>
</tr>
<tr>
<td>A food for my children</td>
<td>77%</td>
<td>+1%</td>
<td>High in magnesium</td>
<td>70%</td>
<td>+2%</td>
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<tr>
<td>High in vitamin E</td>
<td>77%</td>
<td>+2%</td>
<td>A food that helps you manage your weight</td>
<td>69%</td>
<td>+4%</td>
</tr>
<tr>
<td>High in protein</td>
<td>77%</td>
<td>+2%</td>
<td>Good for reproductive health</td>
<td>66%</td>
<td>+3%</td>
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<tr>
<td>Are a source of plant-based protein**</td>
<td>77%</td>
<td>N/A</td>
<td>A meal replacement*</td>
<td>66%</td>
<td>+3%</td>
</tr>
<tr>
<td>Contains good fats*</td>
<td>76%</td>
<td>-1%</td>
<td>Good for elders</td>
<td>65%</td>
<td>+3%</td>
</tr>
<tr>
<td>For social situations</td>
<td>76%</td>
<td>0%</td>
<td>Low in calories</td>
<td>65%</td>
<td>+2%</td>
</tr>
<tr>
<td>Premium</td>
<td>76%</td>
<td>+1%</td>
<td>Lower priced</td>
<td>44%</td>
<td>+3%</td>
</tr>
<tr>
<td>Versatile</td>
<td>76%</td>
<td>+3%</td>
<td></td>
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</tbody>
</table>
Large increase in heavy almond users as users shifted up from medium usage

<table>
<thead>
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</thead>
<tbody>
<tr>
<td>Heavy</td>
<td>4%</td>
<td>4%</td>
<td>7%</td>
<td>6%</td>
<td>5%</td>
<td>6%</td>
<td>4%</td>
<td>3%</td>
<td>4%</td>
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<tr>
<td></td>
<td>40%</td>
<td>24%</td>
<td>41%</td>
<td>37%</td>
<td>42%</td>
<td>35%</td>
<td>28%</td>
<td>27%</td>
<td>26%</td>
</tr>
<tr>
<td>Medium</td>
<td>34%</td>
<td>40%</td>
<td>34%</td>
<td>44%</td>
<td>39%</td>
<td>40%</td>
<td>49%</td>
<td>49%</td>
<td>43%</td>
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<tr>
<td>Light</td>
<td>22%</td>
<td>33%</td>
<td>18%</td>
<td>14%</td>
<td>14%</td>
<td>18%</td>
<td>18%</td>
<td>20%</td>
<td>27%</td>
</tr>
<tr>
<td>Non</td>
<td>2%</td>
<td>3%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Q9. About how often do you eat the following nuts (either by themselves or in other foods?)

- Heavy: several times/week – every day
- Medium: once a month – once a week
- Light: Once a year or less – several times a year
- Non: I don’t eat these nuts
More Chinese consumers increased almond consumption in 2019 than ever before

- In fact, the percentage increasing their consumption of almonds versus 2018 was larger than the percentage consuming the same amount

Q20. How has your consumption of almonds and products containing almonds changed in the last year? Don’t Know responses not included.
TARGET AUDIENCE

Ages 25-45 in Shanghai, Beijing, Guangzhou

- Being beautiful is very important.
- She believes healthy skin should come from inside.
- She constantly searches for natural and healthy ways to keep her skin looking good, starting from the inside.
- She has high concerns on food safety as believes imported products are superior.
60%
Take control of the whole family’s financial allocation

80%
Decision maker of family spending
“SHE-ECONOMY” IS BOOMING
$3.7 billion Women’s Day Promotion
China’s Beauty Market

$58 billion in 2018
$60 billion in 2019

the 2nd – largest in the world after the USA.
WHERE do they buy?
70% of total Sales via Taobao & Tmall is contributed by female.
Clothing: 65%
Food & Snack: 54%
Daily Necessities: 43%
Personal Care: 35%
Home Appliance: 20%
beauty conscious

beautiful women have an advantage in life

Taiwan: 83
China: 77
HK: 72
Singapore: 71
age conscious
I am concerned with aging

China: 71
Hong Kong: 71
Taiwan: 64
Singapore: 64
...insecure about their appearance

percentage of women who described themselves as very attractive

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>15%</td>
</tr>
<tr>
<td>USA</td>
<td>37%</td>
</tr>
<tr>
<td>Turkey</td>
<td>48%</td>
</tr>
<tr>
<td>India</td>
<td>50%</td>
</tr>
<tr>
<td>Russia</td>
<td>51%</td>
</tr>
</tbody>
</table>
SHE-FOOD IS TRENDY
Collagen Dry Fruit Bites
Eatable “Facial Treatment”

Collagen Snacks
可以吃的面膜零食•胶原果脯

Daily Nuts for Mom
Nut Mix Designed for Female’s Nutrients Intake

DAILY NUTS FOR MOM
Nut Mix Designed for Female’s Nutrients Intake

Guilt-Free Snacks
Snacks Allow Women to Enjoy Without Weight Gaining Concern

“She Food for Beauty”
in nut/snack category
all nuts are good
brain health
Fun Sharing
skin beauty
Almond Benefit:

Rich in Vitamin E, California Almonds help your skin look smooth, radiant and supple from inside out.

Our Marketing Objective:

• Continue to lead and widen the gap with competition as the top nut associated with snacks.

• Continue to drive the daily consumption habit of almonds.
New Advertising “Magic Hand” metaphorizes the beauty benefit of almonds as “Magic Hands”. Every piece of almond as a magic hand, works skincare magic on your face.

The more you eat, the more beautiful you become.
Grown in California
Digital Banners
Social Media Campaign: “Beauty Catcher”

• Participants to take selfie using the Almond Beauty Camera — to filter out the make ups and show natural skin look

• Endorsed by celebrity ex-super model Linda, in recruitment and beauty education and selfie education videos

• Public to cast their vote on the posted selfies. Winner will become 1 day cover girl on the Meitu landing page
E-commerce Campaign

- Cooperate with Tmall, create co-branding campaigns with the nut brands.
- Influence the choice of nut as point of purchase by communicating the skin beauty message, supplement by offers from brands.
- Launch at peak season: Chinese New Year & May 17 (Snack festival)
E-commerce Consumer Journey

1. Key Opinion Leader Live Streaming
2. Tmall landing page with nut brands
3. Transaction

- Almond beauty message
- Offers by nut brands
TRADE COMMUNICATION
A strong growing snack market

> $116.4 billion total sales value of snacks in 2018
growing at a CAGR of 6.2%

the largest proportion of online F&B products sales.

Source: Mintel, Consumer Snacking Trend– China, January 2019;
Alibaba, 2018 Online snack consumption report
Nuts have been the biggest category in the China snack market since 2015, owning 20% of market share.

However, in the global snack market, chocolate is the largest category, accounting for 18% of total sales, followed by salty snacks, ice cream, sweet biscuits, etc. Nuts, seeds and trail mixes rank 7th, accounting for about 4% with sales of $27 billion.

Source: Mintel, Consumer Snacking Trend – China, January 2019; Yahoo Finance, 2019
24% of Chinese consumers claim “health aspects are important when buying F&B products.”

50% of Chinese consumers are choosing more natural products in 2018.
When comparing two similar products, 60% of consumers will buy the one with almonds even if they have to pay more.

Source: 2018 Global Perception, SRG
Opportunities come with challenges
“The friendship between California and China’s almond industries goes way back. I hope California almonds are here to stay.”

“The Almond Board of California has been active in China for many years, growing together with the Chinese almond industry. However, the current trade dispute is hurting this relationship, and both parties hope the trade war will end as soon as possible.”
California almonds are of better quality, a well-known fact among trade professionals. But because of tariff issues, Chinese traders have to seek other sources. This past year, more Australian almonds entered the China market.

My own company is now collecting California almonds from domestic manufacturers who still have it in stock, but I am not sure how long these stocks will last. I believe that California almonds can quickly occupy most of the China market again if tariffs decrease to normal levels.

“Confidence in and demand for Californian quality is still strong.”

Yufeng Chen, Almond trader
“Thanks to constant market education from ABC and Chinese brands over recent years, consumers now have wide recognition of almonds. Almonds have especially gained popular applications in snacks. For the next step, which is also kind of forced by the increased trade costs, we will explore more cross-category innovations, bringing extra value to our products.”

Zhongwu Yu, Founder and CEO of Mr. Farmer

“ABC’s work has helped to make almonds popular and inspired product innovations.”
Product Innovations
Cross-Category Product Innovations

Daily nuts

家庭款

New Upgrade

Nuts X Dried fruits

DAILY ROUTINE

8:50 + 酸奶
开启一天元气

15:30+柠檬茶
唤醒沉睡灵感

21:00 + 吐司
安抚疲惫身心
Cross-Category Product Innovations
Cross-Category Product Innovations
Cross-Category Products Gaining Popularity
Embracing Challenge
Connect with Trade Partners

✓ Boost their confidence and affinity for California almonds
✓ Exchange the latest industry updates and insights
✓ Gather first-hand knowledge about trade concerns and demands
✓ Explore more almond promotion tactics together
Traders Summit, Aug. 2019, Zhengzhou

Industry Meeting, Sep. 2019, Shanghai
Trade logistics parks and local market visits @ Wanbang Trade Park

Leading almond trader visit @ Chenshi Yangguang
Top Chinese snacks brand and plant visit, @ Mr. Farmer, Be & Cheery, Hangzhou

Fast-growing high-end retail channel visit @ Younghui Supermarket
Trade Shows

Pop-Up Store Style Booth

Five-Flavor Almond Tasting Sample

Innovative Almond Products Display
Trader/Brand Trips

Demonstrate leadership in almond industry, reinforce preference for Californian origin

Facilitate cross-border trade, build up direct trade channels between Chinese brands and CA handlers
Collaborate with nut brands in online campaigns

Consumer Education + Special Offers

10+ brands joined
360° channel promotion
836M impressions total
773+ transactions in one week
Overview of Industry Communication Outcomes

Trade Engagements
1. Traders summit, with 3 California almond handlers and more than 120 traders participated.
2. Bloom tours held, attracting 5 top snack brands, and 23 traders and representatives from industry associations to participate.
3. Industry meetings, sharing latest industry news and ABC’s long-term commitment.
4. Retail brand visits, 6 F2F meetings with key traders and retail channel professionals.

Open platforms for collaboration
- 5.17 Foodie Festival campaign
- 5 leading snacking brands engaged
- 773 deals done within one week
- 4,230,000 total PVs generated across e-commerce platforms

Local market insights
1. China report developed jointly with Innova.
7. Local market/store price audits.

Trade Media
- 50+ core media maintained
- 40+ quality trade original press release and retweets.

Owned Channels
- 40+% follower growth
- 19,000+ total reader views
THANK YOU!
China: Driving Long-Term Growth
Join the Conversation!

Use #AlmondConf to share highlights from The Almond Conference
Thank you!