PACT CAPITAL

July 22, 2025

# USDA'S 2025 ALMOND ESTIMATE

*A LENDER'S PERSPECTIVE*

By now, the news has been widely shared that the USDA-NASS has projected a record 3.0-billion-pound almond crop for California in 2025 –approximately a 10% increase over the previous year's harvest. This forecast assumes higher yields (estimated at 2,160 lbs./acre vs. 1,980 lbs. in 2024) and slightly more bearing acreage, which it defines as plantings 4$^{th}$ leaf or older.

However, on-the-ground trends in recent years cast doubt on this sizeable projection. California's almond acreage has begun contracting, and water constraints under the Sustainable Groundwater Management Act (SGMA) are forcing orchards out of production. Below, we analyze recent data and SGMA impacts to show why the USDA's 2025 projection may be overly aggressive from a lender's perspective.

**USDA's Forecast and Market Impact**

If accurate, the 2025 California Almond Objective Measurement Report at 3.0-billion pounds would represent a 10% increase over last year's production and would mark the second-largest almond harvest on record.

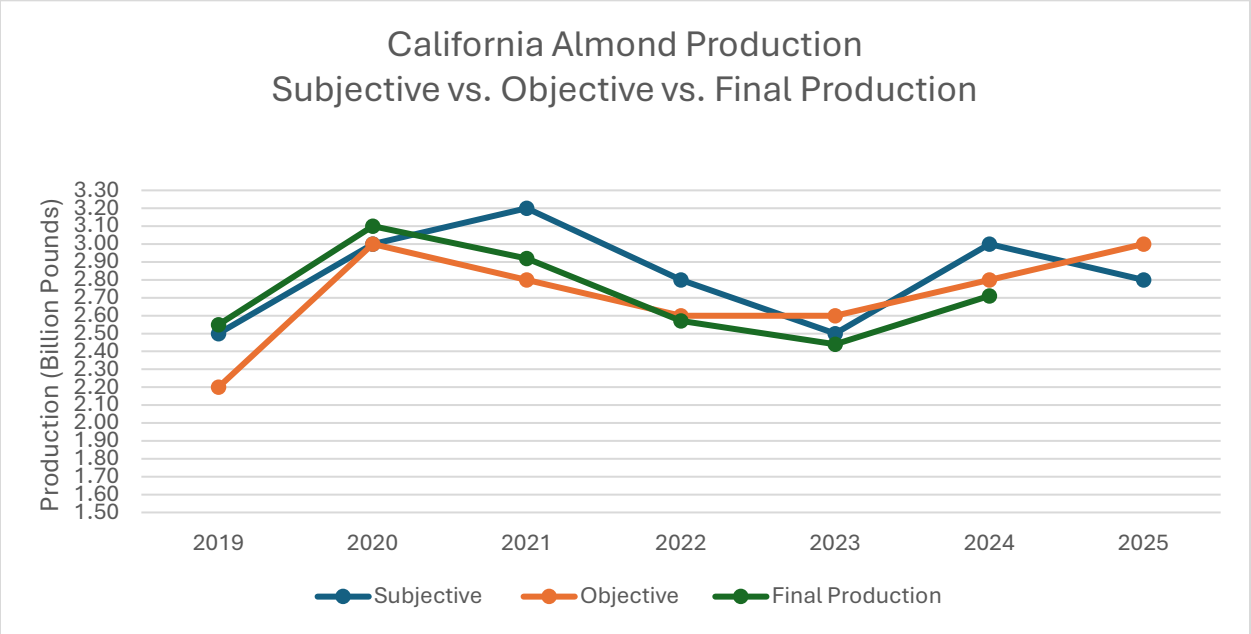
This forecast immediately rattled the market and puzzled many.

Almond prices dropped nearly 20% following the announcement, erasing much of the pricing momentum that had built up after the 2024 crop came in below expectations and carry out was mostly sold through.

While the difficulty of USDA-NASS forecasting process is acknowledged, our position is that the 3.0-billion-pound estimate may be too wide.

For color, actual almond production has fallen short of the USDA's Subjective (May) and Objective (July) estimates for each of the past three years.

**Table 1**




***2022:*** *2.60b Estimated vs 2.57b Final.*
***2023****: 2.60b Estimated vs 2.44b Final.*
***2024****: 2.80b Estimated vs 2.71b Final.*

The persistent overestimation in recent years underscores why many find the 2025 projection questionable and suggests potential issues in the forecasting approach itself. Including ourselves as lenders.

**Water Scarcity and SGMA Start to Bite**

Water challenges are a stark reality across California's almond belt. SGMA is forcing cuts in groundwater pumping in chronically over-drafted basins, which in some cases, has left orchards unfarmed or even abandoned. We are beginning to see the actual impacts of SGMA regulation and its relation to farming current plantings and decisions to replant in effected areas. For context, SGMA was still in the "planning" phase in 2020, which was the last year the crop was north of 3.0-billion pounds.

Historically, top almond-producing counties that have relied heavily on groundwater pumping are expiring SGMA driven restrictions and facing reducing water availability. Orchards without access to surface water are seeing yield declines and increased stress due to these water cuts.

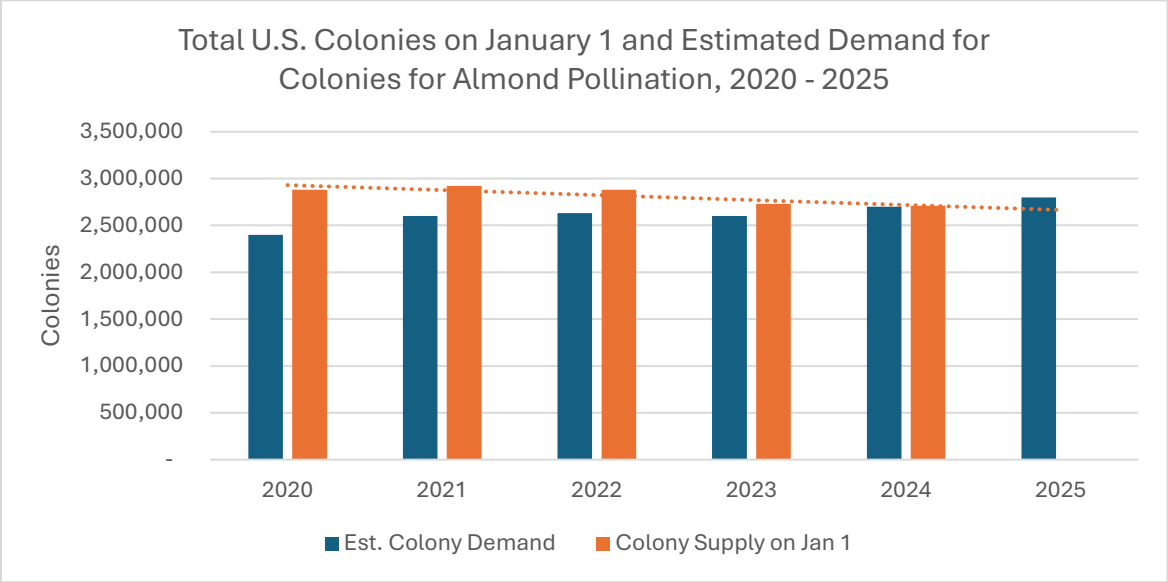
Recent estimates by Land IQ identified over 30,000 almond acres in 2024 that were effectively "stressed" or abandoned – orchards largely untended, likely due to lack of water or poor economics. This visible pullback in farmed acreage due to water scarcity emphasizes how deep drought and regulation are biting into production potential.

**Pollination Challenges and Bee Losses**

Beekeepers have recently experienced colony losses. Most almond varieties rely on bees for pollination, and each spring over 2 million honeybee colonies are deployed to pollinate roughly 1.4 million acres of orchards. Commercial beekeeping operations reported an average loss of 62% of their colonies from June 2024 to early 2025. In total, an estimated 1.6 million honeybee colonies were lost nationwide during this period.

These losses are far above historical averages and are expected to impact many pollination-dependent crops – especially almonds. Industry observers warned for the better part of the last year that without a change to this trend there might not have been enough bees to fully pollinate all bearing almond acres during the 2025 bloom.

**Table 2**




*Land IQ Standing and Remove Acreage-Final Reports 2020-24, USDA NASS and USDA Honeybee Colonies Reports.*

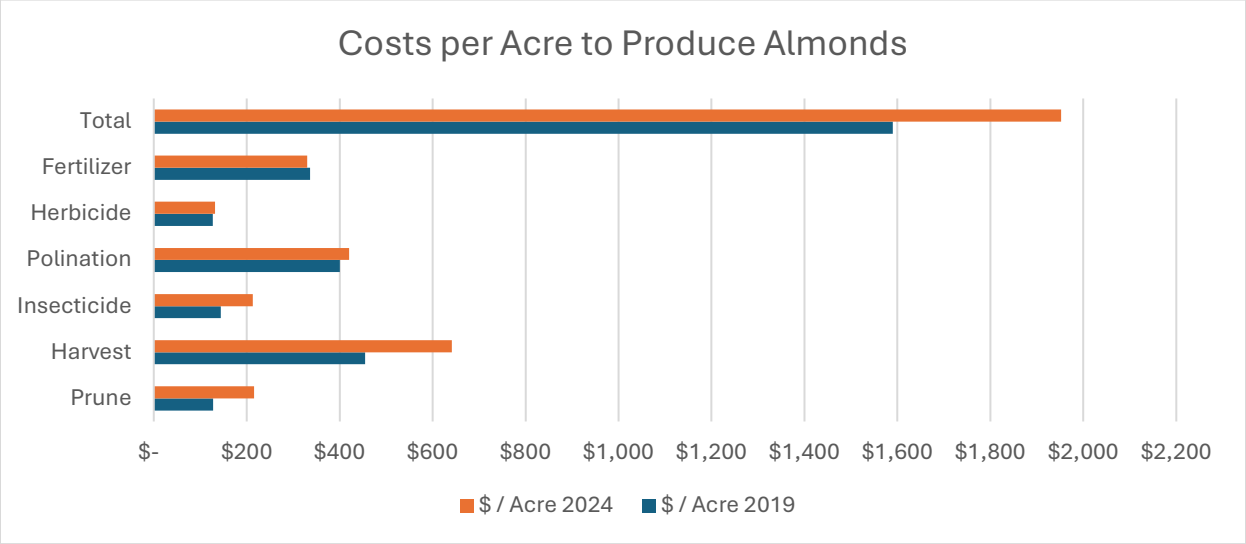
The table above illustrates the estimated number of honeybee colonies needed for almond pollination from 2020 through 2025, alongside the total number of colonies available in the U.S. as of January 1 each year. As shown, the demand for almond pollination in 2024 required virtually all (approximately 99%) of the honeybee colonies in the U.S. at the start of that year. Going into 2025, pollination demand was projected to increase by about 3.5% to approximately 2.8 million hives, surpassing the roughly 2.7 million hives available in the U.S. as of January 1, 2024. This growing imbalance, exacerbated by ongoing colony losses, continues to tighten the pollination market. Rental fees for bee hives remain elevated, and there is ongoing concern about whether there are sufficient bees to ensure optimal pollination of the 2025 crop. The ultimate impact on the 2025 harvest remains to be seen, but the often told story this year was that there were many fields in the South Valley that did not have sufficient bees to pollinate the trees, potentially leading to lower yields.

**Elevated Costs and Interest Rates Continue**

Input and capital costs for almond growers have continued to increase, therefore tapering profit margins and forcing tough choices on the farm. Key farming inputs – fuel, fertilizer, chemicals, and others – have all seen steep cost increases coupled with compressed prices to the grower.

When farming becomes unprofitable, growers respond by cutting back wherever possible. They reduce or delay certain cultural practices and inputs to conserve, and in some cases may even walk away from orchards entirely if losses become unsustainable.

**Table 3**




*2019 and 2024 UC Davis Sample Costs to Produce Almonds in the San Joaquin Valley North*

- **Harvesting costs:** ~40% higher in 2024 than in 2019.
- **Pruning costs:** 60% higher than 2019.
- **Insecticide costs:** 47% higher than 2019.
- **Water costs:** Significantly higher in water-scarce regions – in some districts, irrigation expenses now exceed $1,000 per acre.

While many growers report that costs have risen, some steadfast structural changes in the costs of water and harvesting are significantly higher than they were in 2019/2020.

To add to these cost pressures, the costs of capital have roughly doubled in the last 4 years from the floating rate debt markets when SOFR was < 1.00%. Interest rates on operating loans have climbed (staying "higher for longer"), and the increased debt service burden is further pressuring growers' cash flows and working capital.

The timing of these cost increases has been especially painful, coming during a period of compressed grower returns. Over the last five years, growers have averaged roughly $1.76 per pound for almonds, compared to about $2.60 per pound in the five years prior to 2020. (Notably, 2020 – which had a record 3.0+ billion-pound crop – marked the beginning of this lower-price era.)

As growers entered the 2025 crop year, many had more stressed balance sheets and weaker working capital positions than at any point in the past 20 years.

Throughout the state, the effects of this financial stress are evident in orchards that have been abandoned or maintained at minimal input levels ("deficit farmed").

The extent of these challenges is difficult for agencies like USDA or Land IQ to factor into their models or satellite-based analyses of "bearing" acreage.

In other words, an orchard may be counted as bearing on paper, but if a grower has cut back significantly on care due to economic stress, its productive output will be lower than normal.

These on-farm realities are difficult to capture in statistical forecasts, contributing to differences between forecasted and actual production. **Higher Costs and Lower Returns don't equate to a recipe for a bumper crop.**

**Acreage in Transition: Leveling Off and Orchard Removals**

After two decades of rapid expansion, California's new almond plantings have hit a plateau and begun to decline.

Per USDA, total almond acreage (bearing + non-bearing) peaked at ~1.65 million acres in 2021 and fell to about 1.56 million by 2023. By 2024, total acreage had fallen further to just over 1.52 million.

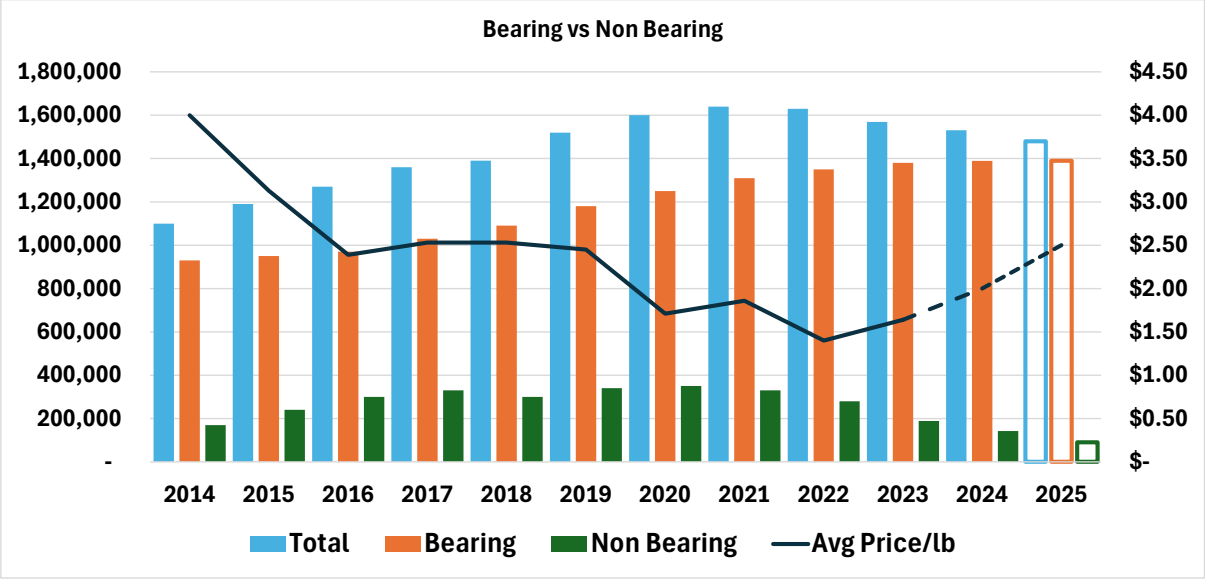
California's almond acreage has now declined for three consecutive years – something not seen since the 1990s – as new plantings slowed and removals progressed. Bearing acreage in 2024 was essentially flat around 1.383 million (versus 1.374 million in 2023), while non-bearing acreage fell by 47,000 acres to a 12-year low. This clearly marks a shift from expansion to contraction in the industry's footprint.

Growers are holding off on establishing new orchards and are removing less viable orchards. Over the 2022–2024 period, approximately 210,000 acres of almonds were removed from production.

Notably, even some younger orchards have been abandoned due to water effected areas and poor production with minimal prices. This lack of new plantings, combined with removals, signals that California has likely passed its "peak" almond acreage for now.

**See Table 4 on the next page.**

**Table 4**




## Conclusion

The almond market is undergoing a multi-year transition that is lasting longer than initially estimated.

While the cost of capital remains higher for longer than expected, recent indicators suggest a gradual downward trend. Despite a notable correction, almond pricing continues to outperform the three-year historical average.

We acknowledge the difficulty of the USDA-NASS's task to estimate the size of the crop and know it is easier to call out what we think is wrong than to perform the task. Although we believe for the reasons outlined above and our on the ground site visits, the 2025 Actual Production will be inside of the USDA-NASS's Objective Estimate.

At PACT Capital, we prioritize partnerships with operators who demonstrate strategic foresight, actively navigating market headwinds and positioning for long-term resilience and growth. We continue to witness firsthand how growers are making strategic adjustments to safeguard future production, reinforcing the sector's resilience and long-term viability. Notwithstanding current production challenges, these measures will solidify the industry's foundation and have positioned it for a robust recovery.

Global consumption trends and growing demand for almonds as a diet staple, in a rapidly growing world seeking more sources of protein, further highlights the potential for California almond market to continue to expand and prices to rebound rapidly once the current obstacles are overcome.

Whether or not the USDA-NASS Objective estimate is accurate, PACT Capital remains confident in the long-term strength of California's almond sector and continues to lend into new relationships.

Call or email us today to discuss your thoughts on the 2025 Crop Estimate.