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August 2005 Almond Position Report

August 2005 shipments were 57.440 million pounds. This is down about 27% from the August 2004 shipments of 78.676 million pounds.

Carry-in from last year: 137.7 million pounds (includes an upward adjustment because season's loss/exempt figure was revised down from 4% to 2.53%)

Crop receipts to date: 61.5 million pounds

Less 4% loss / exempt: (2.45 million pounds)

Total Supply: 196.75 million pounds

Less shipments to date: (57.4 million pounds)

Supply Remaining: 139.35 million pounds

Ahhhh.....it's that time of year again. New crop. New hopes. New dreams. New plans. Old variables. Same arguments.

Receipts

Seller's Perspective: It's all in the receipts figure this year. Shipments have to be gauged against 2005 receipts - not against 2004 shipments. To start the season, we are down 58% in receipts compared to last August. We are telling you, pray for 880 million pounds. Expect 825 million pounds. Don't be surprised if we get 800 million pounds. God help us if we get a dreaded "7" in front of the receipts come December. The Nonpareil crop is bad, real bad. Yields are down. Sizes are big. Moisture is low. Serious damage is high. We will be really lucky if we are only down the 21% that CASS estimated. Our hopes are now on the pollinators.

Buyer's Perspective: California growers can irrigate their vast orchards with satellite imagery assistance. They have a name for each tree and can trace nuts to a particular branch. Pristine orchards, in most cases cleaner than our family rooms, get a studied and precise blend of nutrients, fertilizers and chemicals delivered via a state-of-the-art micro-jet irrigation system. These growers can tell you how many mites live on any given square inch of their property. But they have no idea as to the size or quality of their crop and can be off by 10% or more? As Jack Nicholson famously said: "Go sell crazy someplace else; we're all stocked up here." This is vintage California propaganda. The people in northern California knew that their crop was not good in March. CASS accounted for this shortage already. Those with bad orchards are, as usual, being especially vociferous.

When your neighbor is complaining that his yields per acre are down and that prices should go up - and when you have a good crop - do you call buyers around the world and tell them that you have a good crop? No - you keep your mouth shut, let the negative sentiment spread, and cash in with your 2500 pounds an acre.

Shipments

Seller's Perspective: How can we not be down on shipments? How can you sell what you don't have? Harvest started later than expected. We didn't have anything to sell. Inshell prices to India didn't open until last week - and now you are going to tell us that we only shipped 4 million pounds to India

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instead of 10 million pounds? How is this scenario a reflection of dropping demand? The Nonpareils are bad, real bad.

Buyer's Perspective: You had a 137.7 million pounds of carry-in and you received another 61 million pounds. You are not short. We have no buying interest. Nothing happened between July and August. Your phones did not ring. Your mailboxes were not full. If it makes you feel better, you can assume that we were on "holiday." But we have mobile technology overseas too. If we wanted to buy, we could have called you from the beach. We're simply not accepting these prices. By the time that you accept that, you're going to be the last one at the party.

Sizing

Seller's Perspective: Nonpareil sizes are coming in big. Less than 10% will be size 25/27 or smaller. The vast majority of what we are seeing is falling into the 20-24 range. The Nonpareils are bad, real bad.

Buyer's Perspective: We are not going to argue the size issue - we knew this back in May when we were visiting. This is nothing new. The photos of the big inshell nuts made their way around the world. Those who need smaller size nuts will have to look for other alternatives. We are sure that they will survive one season without their 36/40s. The bigger question is - you have more Nonpareil 18/20 and 20/22 to sell and yet the Mid East is down 77% against last August....tell us again how this is bullish news? Undoubtedly, it has something to do with "the appropriate and sensible allocation of limited availability in an attempt to serve existing customers in a circumspect manner"....try - "no demand at \$4.20 / lb." And no, the one pallet that you sold to your buyer in Idaho for \$4.25 / lb does not make the market.

Domestic

Seller's Perspective: Domestic market remains strong, returning higher levels than export markets despite the lack of an exchange advantage. Manufactured shipments are on pace with last year. We are going to have a challenge finding the smaller size nuts that confectioners need - that has been one of our biggest problems over the past few months. The Nonpareils are bad, real bad.

Buyer's Perspective: Down 16% is now considered strong. This is the new math we have been hearing about.

Spain

Seller's Perspective: Keep selling, Spain. Information we are receiving says that your crop is not better than 40,000 tons and that your quality is marginal at best. Leave all the money on the table that you want. Once you are out, we will get the prices we want. It's already happening. Your prices have come up considerably during the past two weeks. You gambled that California prices would crash by September and you were wrong.

Spanish importers are now looking to buy California almonds for September shipment but they are not



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seeing the desperation at origin that they expected. European buyers were betting on the fact that staying quiet in the summer months would unnerve California. This did not happen. Try to get an origin offer for BSU5% for September shipment at \$3.50 / lb (\$770)...you may get 20 tons if you're lucky from someone who took a position 6 months ago, but you won't get any real volume at that level. But everyone in the industry hears about the 20 tons done by the second hand at \$3.47 (\$763). The Nonpareils are bad, real bad.

Buyer's Perspective: The Spanish crop will be 50,000 tons or more. Spain is taking a lot of your September shipments. You will see this clearly next month, when you struggle to find another reason as to why September shipments are down, making that the eighth month in a row that shipments are below 2004's shipment pace! Spanish growers are making good money under California's hopeful price umbrella. They don't need to risk getting the last penny - knowing that most people in California want to be sold out by bloom in February. They fully understand that even an 800 million pound crop won't be able to prop up a market looking at the very real prospect of a 1.3 billion pound crop in 2006.

Export Markets

Seller's Perspective: A meaningless statistic in an August where the crop was late. Let's take a look at this statistic in December - and compare shipments to receipts.

Buyer's Perspective: Of course. What else can you say when every region of the world except for Africa and "Others" is down?

US Dollar

Seller's Perspective: \$1.229 against the Euro in August...and \$1.247 so far in September. Weaker than the highest levels it reached in June and July. Everyone was convinced that the USD was certain to get stronger but the trend has reversed, at least for now. And remember that the Nonpareils are bad, real bad.

Buyer's Perspective: This currency issue has been factored in to the prices - the Euro has been above \$1.20 since December 2003. Tell us something we don't know. In any case, we feel that oil prices will come down, that you will recover from Katrina's effects, and that interest rates will continue to rise. That all signals a stronger Dollar which will put downward pressure on almond prices.

What People Want to Say But Won't

Seller's Perspective: Go short. Get burned. Again. You underestimate our intelligence, our understanding of this market and our resolve. And your need to buy. The Nonpareils are bad, real bad.

Buyer's Perspective: F*%# the Nonpareils! We buy standards and with your high serious damage, you should have plenty of that to sell...you greedy, pessimistic whiners.

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Conclusion

Activity during the past two weeks has picked up and buyers, though reluctant, have started buying more. The floodgates have not opened by any means and there is admitted concern in California among the thoughtful growers, packers and marketers that prices have gone too high. This concern has been kept in check due to the fact that initial receipt information filtering through the industry has been overwhelmingly negative - both as to quality and quantity. Though there are occasional growers who will admit to a good harvest - most seem genuinely disappointed, and happy to tell you about it in detail.

Overseas, caution seems to reign. Most everyone believes the market is going to come down, but so many have been so wrong for so long, that they are afraid to take any considerable short positions, at least prior to December. A commercial castration of sorts.

Many thought that this market would correct by now. Some still think that by October, prices will come down. This sentiment is resulting in a lot of short term, limited volume business.

Let's not forget that a container of almonds is expensive. It's been said before, but bears repeating - how many loads at \$165,000 can the average importer finance? Tough to know - and varies dramatically by importer. One thing seems certain - credit risk insurance companies are poised to do good business this year.

Whatever you do between now and the next report, don't forget that the Nonpareils look bad, real bad.

Best wishes for an exciting but safe season -
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