April 2016 shipments are 167 million pounds. This is 11% more than the April 2015 shipments of 151 million pounds.

2015 Almond Supply

<table>
<thead>
<tr>
<th>Description</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carry-in from the 2014 crop</td>
<td>376 million pounds</td>
</tr>
<tr>
<td>2015 crop size</td>
<td>1.89 billion pounds</td>
</tr>
<tr>
<td>Less 2% loss / exempt</td>
<td>38 million pounds</td>
</tr>
<tr>
<td>Less shipments to date</td>
<td>1.320 billion pounds</td>
</tr>
<tr>
<td>Less commitments</td>
<td>432 million pounds</td>
</tr>
<tr>
<td>Remaining unsold supply</td>
<td>476 million pounds</td>
</tr>
</tbody>
</table>

Receipts, Shipments & Inventory v. 2014 Season

- Receipts: +1.47%
- Total supply v. 2014 season: +3.3%
- Shipments v. 2014 season: -5.65%
- Uncommitted inventory: +21%

2016 Subjective Almond Estimate: 2 billion pounds (2,220 pounds per acre on 900,000 pounds)

“I never guess. It is a capital mistake to theorize before one has data. Insensibly one begins to twist facts to suit theories, instead of theories to suit facts.” Sir Arthur Conan Doyle (1859 – 1930)

It’s amazing what a price fall coupled with buyer confidence can do to a market. Shipments are up 10.9%, led by exports which set a new record for April at 116.6 million pounds. This was the first month this season in which exports set a record. May shipments could also set a new record. May 2015 was 139 million pounds. The record was set in May 2014 at 143.7 million pounds.

New sales for April were a strong 176.9 million pounds. Domestic commitments are +14% and Export commitments are +21% compared to April 2015. Total commitments are +18%. Uncommitted inventory has come down to 476 million pounds (+21% compared to last season). If shipments for May – July are on pace with last year, the carry-out will be about 495 million pounds. If shipments are up 10% (which is eminently possible, if not probable), the carry-out will be 450 million pounds. Coupled with a 2 billion pound crop, all of a sudden California is not facing an unmanageable supply situation for the coming season.

Domestic shipments were down 13% at 51 million pounds (still the 3rd best total for the month of April). The record for April was set last year, at 58.7 million pounds. The lull in domestic numbers is mostly due to shipments that have been delayed, in part due to higher prices at the retail level. It will be a while until the relatively lower pricing is reflected on store shelves. Expectations are that domestic shipments will not stay down for long.
Exports were up to every major region. Buyers who had been waiting for prices to fall took advantage of the price correction after Gulfood and booked all they could for immediate shipments. This demand has now been reflected in the increased shipments for March and April....we expect May to continue the trend.

Asia was up 35%, with China/HK +81%, Vietnam +433%, India +32%, Pakistan up an astounding 2355%. We were just at SIAL Shanghai. There was cautious optimism about the almond market in China. Inventories there are low. The general sentiment is that it will be a good season for almonds. Like the rest of global almond buyers, the Chinese are shell-shocked at the price drops, and no one has been hurt more than the HK importers. Nevertheless, there is optimism about the 2016 season as long as prices ‘do not run away’ - whatever that means. Shipments to India were up for the month, but are still -8% for the season. We expect that gap to shrink as demand from India has been robust.

Western Europe was up 6%: France -2%, Germany -29%, Italy +28%, Netherlands +47%, Spain +21%, UK +35%.

The Middle East was up 57%, let by Turkey +436%, and followed by Jordan +96%, Israel +41%, Saudi Arabia +9% and Lebanon +1%. The UAE was -15% but has been showing a renewed appetite for almonds in recent weeks. In North Africa, Algeria was +92% and Egypt was +182%. The challenge for most of the Middle East and North Africa has been the relative scarcity of Nonpareil Extra #1 offers from origin.

2016 Crop Scenarios
“A likely impossibility is always preferable to an unconvincing possibility.” Aristotle (384 BC - 322 BC)

The acreage report released in April suggests that there are 900,000 bearing almond acres in California. Some people feel that this number is under-reported, even after considering the acreage that has been pulled out of production. The chart below shows some production scenarios. Most importantly, note that even with a 20% production increase (which is highly unlikely given what growers are seeing in their orchards), as long as the acreage multiplier being used is 900,000 (which is what it will be for the objective estimate on July 6th), then an objective crop estimate of over 2.2 billion pounds seems quite unlikely. This is not to say that the crop cannot be bigger, but for practical purposes this will not be known until November or December. The reason we decided to present this information in such a format was because we felt that people were throwing out numbers without grounding them with supporting facts. 2.5 billion pounds will not happen because...

<table>
<thead>
<tr>
<th>Yield / Bearing Acre</th>
<th>2015 actual pounds/acre</th>
<th>2015 +5%</th>
<th>2015 +10%</th>
<th>2015 +15%</th>
<th>2015 +20%</th>
<th>6 year average pounds/acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>900,000</td>
<td>2,120</td>
<td>2,226</td>
<td>2,332</td>
<td>2,438</td>
<td>2,544</td>
<td>2,267</td>
</tr>
<tr>
<td>905,000</td>
<td>1.9080</td>
<td>2.0034</td>
<td>2.0988</td>
<td>2.1942</td>
<td>2.2896</td>
<td>2.0403</td>
</tr>
<tr>
<td>910,000</td>
<td>1.9186</td>
<td>2.0145</td>
<td>2.1105</td>
<td>2.2064</td>
<td>2.3023</td>
<td>2.0516</td>
</tr>
<tr>
<td>915,000</td>
<td>1.9292</td>
<td>2.0257</td>
<td>2.1221</td>
<td>2.2186</td>
<td>2.3150</td>
<td>2.0630</td>
</tr>
<tr>
<td>920,000</td>
<td>1.9398</td>
<td>2.0368</td>
<td>2.1338</td>
<td>2.2308</td>
<td>2.3278</td>
<td>2.0743</td>
</tr>
<tr>
<td>925,000</td>
<td>1.9504</td>
<td>2.0479</td>
<td>2.1454</td>
<td>2.2430</td>
<td>2.3405</td>
<td>2.0856</td>
</tr>
<tr>
<td>930,000</td>
<td>1.9610</td>
<td>2.0591</td>
<td>2.1571</td>
<td>2.2552</td>
<td>2.3532</td>
<td>2.0970</td>
</tr>
</tbody>
</table>
Almond Market – Thirty Day Review
Prices have moved up $0.30 - $0.50 per pound during the past month based on demand from many markets and a lack of offers from California. After this bullish report, they will be up again.

Seller’s perspective:
We keep hearing complaints about our being withdrawn. And you know what, we feel just as bad as Atif Ibrahim did for defaulting….which is to say we don’t give a Pakistani rat’s ass. Clients all over the world were complaining incessantly between September and March about why this market had fallen so much. They politely wanted us to ‘find our testicles,’ to ‘pull our heads out of our asses’ and to realize the damage that was being done by our inability to pull off the market and show some sense of selling discipline. They were criticizing our ‘thoughtless, lemur-like jumping off the proverbial price cliff.’ Well, you know what, we took the flash light, used both hands and managed to find our heads….and now buyers are complaining again….this time that prices are going up too fast? Really? Without limiting supply, how else do you propose that prices go up? Do you think that buyers will tell us: “That NPX offer is just too good…I will confirm it but only if you charge me more?” Of course not. So stop your whining and buy what you can. And if you don’t feel that these prices are justified because the crop is going to be ‘huge,’ then don’t buy. No one is forcing you. If demand stops, we’ll be back in the market ready to sell. That’s how this dance goes. Haven’t you figured it out yet? It’s no secret that no matter what the price, it’s always $0.10 per pound too high for you guys. Always. At $1.85 you wanted $1.75 and now at $2.10 you want $2.00. So please just stop your whining. You lost money for the first time in ten years. We get it. Life is hard. Sell the Benz. Boohoo.¹

Buyer’s Perspective:
Well, well, well….look whose balls dropped! Welcome to the adult’s table, growers! Problem is, you’re in here with a fake ID. You don’t really grasp the consequences of what you’re doing. Being a smart person and a good farmer doesn’t mean that you know squat about marketing almonds. As the saying goes, “Intelligence is not a substitute for knowing.” You refuse to let the people who know how to market almonds do their jobs and yet you fail to see how your herd mentality of being withdrawn one day and wanting to blow your brains out selling the next is creating violent swings in the price of almonds (see price charts). The problem is, you guys just make less profit when you blow it. Everyone else in the chain actually loses money. You let prices fall too far and now you’re raising prices by being withdrawn in the face of a still considerable carryout and the biggest crop since….well, a long time. After the blood we spilled last year because of your $5 per pound bravado, followed by your 50% price drop, we’re all cooked. This is not a question of selling Benzes; this is a question of ‘no more operating capital.’ The dishonest ones screwed you and walked (or worse, see below). The honest ones bled out….and many have no blood left to spill. If buyers in India, China and Dubai aren’t given a chance to make money, or if they face another unsustainable price increase followed by yet another collapse, you better start looking into ‘almond pickling’ methods. Screw your buyers again and you may not have many buyers left.

“Excess on occasion is exhilarating. It prevents moderation from acquiring the deadening effect of a habit.”
W. Somerset Maugham (1874 - 1965)

¹ For a fun song, check out No Sinner’s Boo Hoo Hoo
...And if you shorted the market after Gulfood because you lost confidence in the almond market, and you are trying to cover, then you lost another $22,000 trying to cover your short today. Vegas is for suckers.
THE OPINION PAGES: No Names; Just Facts
Some California shippers did not perform this year. As the great Bob Dole said: “You know it, I know it and the American people know it.” For the purpose of this exercise, let’s call them “Hypothetical Defaulters” or HD for short. Quaint, we know. And yet these HD are now once again being supported with offers from very serious processors. The excuses of those almond and walnut processors supporting the defaulters are lame and the processors making the excuses know just how lame they are. So let’s review the basics.

First, Not Shipping Your Contracts and Not Paying For Your Contracts That Have Shipped is the **same thing**. Just remember: NSYC = NPFYCTHS. Easy. A load’s geography does not change the definition of the word “DEFAULT.”

Second, letting someone ‘work off’ their debt sounds great. It sounds like the American ideal – allow someone to make amends, give them another chance, pick themselves up by their bootstraps, etc. Great in theory, but here is the math. The numbers are admittedly totally speculative – yet somehow likely very accurate. HD buys NPX 23/25 at $5 per pound. Market starts to fall. Problems start to arise. HD does not pull contracts because the problems are simply ‘too big.’ HD invokes a bastardized-type of Force Majeure, which has nothing at all to do with anything remotely related to actual Force Majeure (ask Chilean walnut shippers if you have questions on how/when to invoke Force Majeure). The Force Majeure that HD is invoking is what we call “selling more than you can afford to pay for” or for those who prefer the old country saying “not keeping your feet inside your blanket.”

Back to the math….so the market falls to $2.65, a loss of $2.35 per pound or $103,400 per container. Let’s be conservative and say that HD only has 5 loads contracted with the packer. So the total amount lost with one supplier is $517,000. Now some companies, let’s just arbitrarily use Derco as an example, took this actual loss and paid the invoice in 30 days. But why trouble ourselves with what the many ethical companies did? Let’s stick to our HD…..Our big talking, dick-swinging HD didn’t pay, didn’t ship or whatever. HD didn’t honor his contract. HD defaulted. Now in comes Mr. California Almond/Walnut processor….the Defaultee. A good person no doubt. Perhaps mathematically challenged, but don’t blame that on Cal State Stanislaus. A good person.

So the Defaultee is contacted by HD who may say something like: “I didn’t default, you’re confusing me with that Pakistani guy from Dubai. Now that guy is a defaulter. I live in California. I really WANTED to take those loads. I THOUGHT about those loads. I DREAMT about those loads. I virtually shipped those loads and even virtually paid you on those loads. So basically, it’s really like I virtually performed. So since I came so close to virtually paying you the $517,000 difference between my contract price and the market price at which you had to sell my loads, let me make it up to you. I will work for no commission. How can you say no to such a brilliant proposal?” Math-challenged Defaultee is intrigued.

Current market price for NPX 23/25: $3.00 per pound. 2% commission = $0.06 per pound = $2,640 per container. $517,000 divided by $2,640 = 195 containers that HD needs to ship to make Defaultee whole. One hundred and ninety five loads. Yi bai jiushi wu ; cent quatre vingt quinze ; cento noventa y cinco ; centonovantacinque ; հարյուրինսուն հինգ ; एक के सौ नब्बे पाँच ; 백구십오.
Summary: for a guy who walked on 5 loads of NPX 23/25 at $5.00 per pound this season, and considering how low prices fell, the defaulter has to sell 195 loads at no commission to make it up to the processor.

Question (rhetorical): Are you smoking the good stuff...the hammer, bud, cheeba, chino, crippy, doobie, fatty, grass, joint, keef, nugget, onion, pakalolo, reefer, roach, toke, zombie? In non-street lingo, are you high on marijuana, son? If the guy had the $517,000 to lose, he would have paid you for the contracts. If the guy doesn’t need to earn a living, he wouldn’t be working. If the guy is going to work for free, how can he make a living? See where this is going....? (Diagrams available upon request.)

Here is what’s really going to happen: HD thinks you (Defaultee) are a certifiable moron. He knows that you will do this for a few months, in the meantime legitimizing HD in the markets where everyone assumed he was out of business....and then forget the details of the math and just ‘move on.’ In the meantime, you are insulting everyone in California and around the world who paid their bills on time. The “I will make it up for you over time” is the biggest hoax known to man. There is as much chance of that happening as there was of Jaclyn Smith coming to my dorm room at UC Davis and asking me out on a date back in the late ’80s. It’s not going to happen, brother.

If California processors want to talk big about “finding, punishing, suing, and publishing the names of defaulters”....then they need to find some unity when it comes to at least not working with the incredibly well known defaulters. Otherwise, let’s set the entire “naming and shaming” hypocrisy aside and admit that we all just do what is the most convenient for our own companies. “He didn’t default on me” is a credible stance. We are the last people to criticize it because we have taken this position in the past, when we had loads stranded overseas. It works. It’s rational. It’s economically self-serving. We just all need to realize that no one ever defaults on everyone in the industry. As long as ‘universal defaulting’ is the benchmark for ostracization, then there is no need to pursue any kind of industry-wide approach to defaulters.

......Oh, by the way, to learn more about a potential industry-wide approach to defaulters, please come to the Membership Integrity Forum panel at 11:30 am on Wednesday, June 1st - at the INC Congress in San Diego! Some otherwise very thoughtful and capable people felt that it was not only a good idea to include me on this panel but to also give me a microphone. Last day and last panel of the INC. Don’t miss it.

Conclusion
“Think of how stupid the average person is, and realize half of them are stupider than that.”
George Carlin (1937 - 2008)

Best regards,
DERCO FOODS