

January 2013 Almond Position Report

January 2013 shipments are 156.5 million pounds. This is up 1.8% from the January 2012 shipments of 153.68 million pounds.

Analysis of the 2012 Almond Season

Carry-in from the 2011 crop:	335 million pounds
2012 projected crop receipts:	1.85 billion pounds
Less 3% loss / exempt:	55 million pounds
Less Shipments to date:	1.016 billion pounds
Less commitments to date:	420 million pounds
Remaining unsold supply:	694 million pounds

Shipments & Receipts

Seller's Perspective: Here we are trying to slow down shipments, and they are going up. As the famous saying goes: "You have to be really good to be that good."¹ We are UP for the month of January by nearly 2% and down for the season by less than 0.5%. This is the best January shipment month ever. And prices are higher on average in January 2013 compared to January 2012 by \$1.20 per pound (yes, that is indeed around \$53,000 per container...but you know, fertilizer costs are up....).

Buyer's Perspective: Whoa! Where did those receipts come from? Up from 1.741 billion pounds to 1.839 billion pounds between December and January, on a timely crop, with added hulling capacity? Last season, between December - January receipts went up by 157 million pounds. This year during the same period, they went up 98 million pounds – hardly an "insignificant" amount. Remember, last year between January and March, receipts went up another 97 million pounds. We know, we know, last year was a wet and late crop.....no way there's another 100 million pounds out there somewhere this season, right? Then how much is left out there? Are we done or is someone going to come clean and admit they're holding almond stockpiles?²

Committed Inventory

Seller's Perspective: Strong commitments. Domestic up nearly 2%; export down about 11%; but uncommitted inventory very close to last year, up only 5% (about 34 million pounds). The commitment gap from last month was closed nicely. Nothing like price increases to motivate the uncertain (and short).

Buyer's Perspective: We are still waiting for the tutorial on commitments. Still nothing on YouTube. Someone tell Sue Olson from the Almond Board that we're still waiting for her to make a video explaining committed inventory. And please remind her that children may be watching. And maybe the California Walnut Commission will be watching, too. Those guys need to watch a lot of tutorials. We digress....

¹ It's so famous that we can't recall or find who said it. We think it's Yogi Berra, but the memory is a faint one from a blurry college dorm room after a night of repeated bad judgment. If you know who said it, let us know. Oh, and thanks for reading footnotes so diligently on an almond report. Remember back when you used to be cool and NOT read footnotes? Well, as the old country saying goes, "Those days have come and gone like the morning dew on a warm spring day."

² We're leaving the crop size at 1.85 billion, but will not be surprised at 1.9 billion when all is said and done.

2670 West Shaw Lane, Fresno, California 93711 U.S.A.
 Telephone (559) 435-2664 • Fax (559) 435-8520 • www.dercofoods.com • e-mail: derco@dercofoods.com

Domestic Shipments

Seller's Perspective: It just doesn't get better than the Ol' US of A. God bless our "Exceptionalism," if not in education (31st in math; 23rd in science; 17th in reading), life expectancy (49th), or environmental performance (61st).....heck at least in terms of military spending and overall almond consumption, we ARE number 1. We're #1!!³

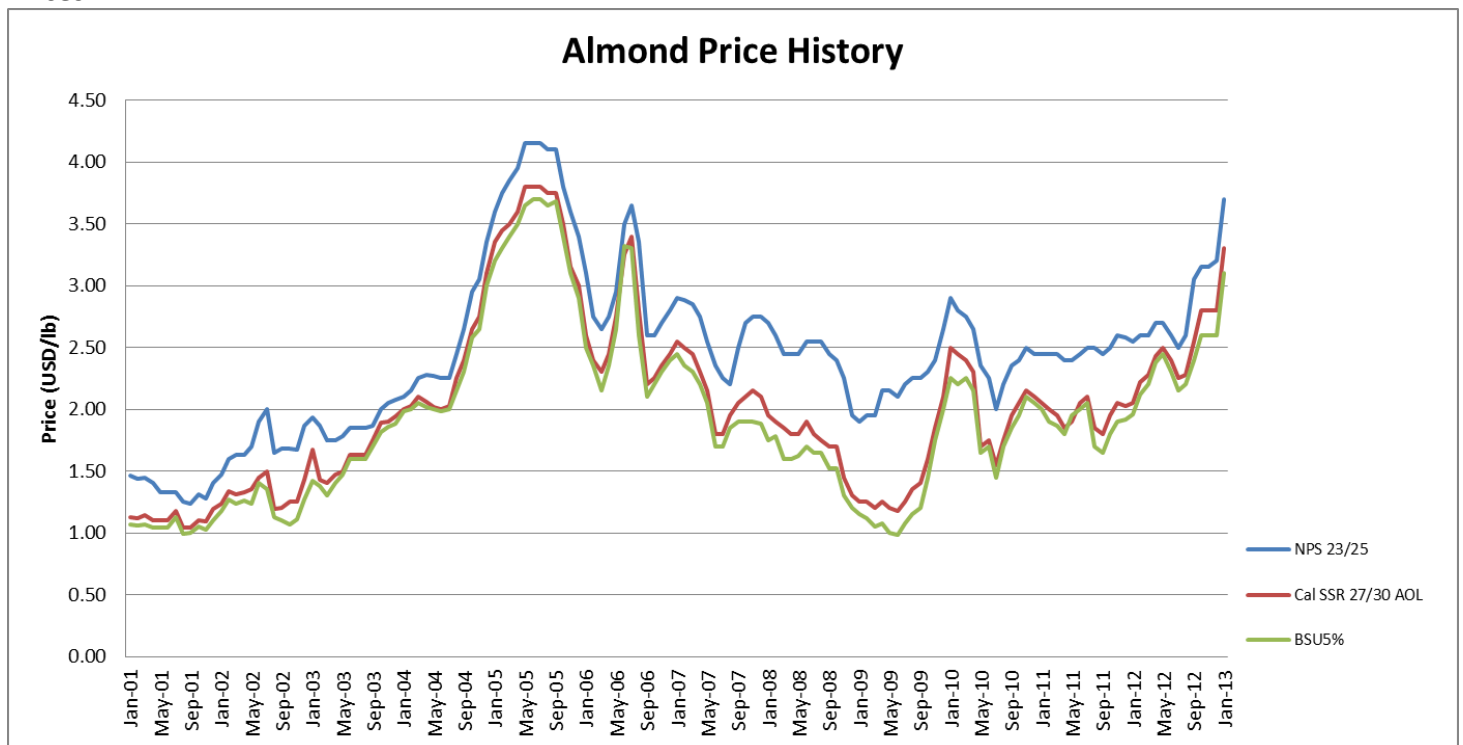
Buyer's Perspective: You are number 1 indeed. Stay thirsty, my friends.⁴

Export Shipments

Seller's Perspective: We are doing all this fabulousness in terms of shipments for the month of January with China/HK down 68% (and Vietnam down 69%), total Asia Pacific down 20% and Europe flat.

Buyer's Perspective: Yes, but India is up 95%....we could hear the cumulative cries of पवित्र बकवास !! from India when they saw the shipment numbers for January. Don't think they're coming back to the market soon. And did you see the United Arab Emirates, up 242% for January? And wait until February. We predict that by the time the February shipments come out, the Middle East will be caught up to last year. So where is all the new buying going to come from? Take good care of China, because if they turn their backs on these prices, your correction may come sooner than you think.

Prices



³ Information derived from various internet sources that seem dubious, at best, as to accuracy. Except for Wikipedia, of course.

⁴ [Stay Thirsty](#)

Seller's Perspective: We are adjusting prices to slow demand. We have not yet managed to do so. Shipments are up in January and they will be up again in February. Anything happens to bloom, and there goes next season, too. The market will tell us when prices get too high and then we will adjust accordingly. With all that said, if you want to book new crop BSU5% at \$2.85, we are sellers. But just a few tons, and just for you. You know, fertilizer costs are going up.

Buyer's Perspective: Looking at this most recent price spike, it's impossible not to think back to the wonderful 2005 season when between September - March, NPS 23/25 went from \$4.10 per pound to \$2.65 per pound. That's a correction of about \$64,000 per container. Not too many of your customers are going to stomach that on their own. Yes, admittedly, since 2006 a lot has changed. Emerging markets have come out of the pack and changed the nut-consumption landscape. Almonds (along with most tree nuts) have gone from being a "fatty" indulgence to a healthy near-staple. But economic fundamentals never change. Not in real estate, not in the stock market, and not in the commodities markets. Eventually we hit a price point that does not work anymore and people walk away. Where is that price point? Sadly, since the monthly shipment reports are our bibles now, we will all find out about 1 – 2 months AFTER we have passed it. All of you in California are smart enough to know that the huge price increase we just experienced is not reflected in January shipments, right? The effect of the price increases will not become evident until March, because even the bulk of the February shipments were occurring as the market was firming, with little done at the very top.

Conclusion

"As an adolescent I aspired to lasting fame, I craved factual certainty, and I thirsted for a meaningful vision of human life - so I became a scientist. This is like becoming an archbishop so you can meet girls." M. Cartmill

It has been an incredible run. Those who were short are being punished. Those who had inventory overseas are being rewarded. The December Almond Position report's combination of lethargic receipts coupled with strong shipments surprised even the most bullish. We all watched as prices increased by \$0.05 per pound every day for about 2 weeks.

Now the question on everyone's mind is: can these prices hold? Fear of falling prices, more than the fear of further price increases is dominating buyer psyche. People have readily told us: "We are not saying that prices are going to fall in the near future. We *are* saying that we would rather take our chances and possibly pay more later and buy just in time, than to book now and hope that the market holds. For California, a \$1 per pound drop means less profit; for us, it's a bloodbath."

Soon we will all be talking about bloom. Not sure what we will be saying that is meaningful, insightful, and that has not been said a thousand times before – knowing by now that the correlation between good weather and the final crop size over the vast area that almonds are grown has become dubious....Nevertheless, we will start prognosticating soon. As a friend of mine in Kerman said, "We will let a guy who lives in the State of Washington tell us how often and how long the bees in my orchard are flying...and we will start to market a multi-billion dollar crop accordingly."

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Some other things to think about:

- Australian crop size and pricing
- Spanish crop size
- European economic headaches
- USD strength overseas
- Iran / Syria and brotherly love
- Indian demand March – August
- Chinese demand post Chinese New Year
- Domestic demand
- Price of other nuts this season and heading into next season

Hope you enjoyed the report, enjoy the bonus section below. And remember.....

“Arrogance is a kingdom without a crown.” (American Proverb)

Best regards,
DERCO FOODS

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Top 10 Things Heard From California Sellers In January

(And what buyers want to say in return, but can't, because they need to keep buying almonds.....)⁵

10. I sold 200 tons last week at \$0.05 per pound higher than your bid and now I want to watch the market.

(I called you every day last week and you were off the market. You either have a bad short-term memory or you need to work on your "creative story telling skills.")

9. I don't have grower support.

(You farm 5,000 of your own acres my friend....Can't you just call your wife and see if it's ok?)

8. I want the market to stabilize before I offer.

(Why? Is making an extra \$20,000 per container causing you too much guilt? You're hoping that by waiting you can make less?)

7. I'm not comfortable offering in this market.

(Well maybe you'll feel more comfortable when prices start to fall. In the meantime, can I get you a soft sweater and pillow...and maybe some hot chocolate?)

6. I don't have anything in that size left.

(You'll be offering NPX 20/22 in July. When you do, we'll be interested to know how this size magically appeared in your inventory, David Copperfield.)

5. I have sold all my season pool and all I have left is the call pool.

(Bullshit!)

4. I don't have the Extras that you are looking for, but have NP SSR in mixed sizes.

(Thanks; maybe I can offer that to Russia on open account!)

3. My growers want to wait for the position report.

(Your growers want to upgrade their planes and they think that by next week they will be able to get the twin-engine turbo prop.)

2. I am going on vacation but will look at my inventory when I get back and let you know.

(Thanks – you're the best; I know that looking at that Excel sheet prepared by your production manager, who actually works, can be very tiring. Best for you to rest for 2 weeks before undergoing that kind of mental strain.)

1.[silence / no answer].....

(Thanks for responding to my firm bid; I can appreciate how hard it must be to get cel reception on your boat in Cabo. Can you hear me now?)

⁵ When the market turns, we will return the favor to the buyers – don't worry. Both sides play this game with equal flair.