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January 2014 Almond Position Report

January 2014 shipments are 160 million pounds. This is 2.4% higher than the January 2013 shipments of 156 million pounds.

2013 Almond Supply

Carry-in from the 2012 crop:	317 million pounds
2013 crop receipts to date:	1.981 billion pounds
Less 3% loss / exempt:	59 million pounds
Less Shipments to date:	1.069 billion pounds
Less commitments:	448 million pounds
Remaining unsold supply:	722 million pounds

Shipments & Receipts

Seller's Perspective: Record prices. Record shipments. Let's keep it simple for you. Here are the calendar year shipment totals since 2005:

- 2005: 885 million pounds
- 2006: 1.022 billion pounds
- 2007: 1.141 billion pounds
- 2008: 1.263 billion pounds
- 2009: 1.504 billion pounds
- 2010: 1.552 billion pounds
- 2011: 1.734 billion pounds
- 2012: 1.890 billion pounds
- 2013: 1.916 billion pounds
- 2014: Are you willing to bet against the trend? If so, just stop complaining and short the market. Let your actions speak louder than your words....and rest in peace.¹

Buyer's Perspective: Not sure what you guys are looking at, but when we look at our books, we are seeing an average purchase price for BSU5% at \$2.75 per pound and for NPX 23/25 at \$3.50 per pound for all shipments through January. It's only for shipments after January that our average for BSU5% jumps to \$3.25 per pound and for NPX 23/25 to \$4.15 per pound. So whatever impact you think you have absorbed, as you would say in California, you ain't absorbed nothin' yet! Just wait to see how demand the next few months is going to shape up. No need to get nervous!

Commitments

Seller's Perspective: Domestic commitments are down 9.95% (22 million pounds); Export commitments are up 24.75% (50 million pounds); overall commitments are up 6.7% (28 million pounds). Uncommitted inventory is 5.5% higher than last year (37 million pounds). The 5 year average monthly shipment totals for

¹ Note: shorting the almond market may be hazardous to your personal and professional health and wealth. Professional drivers only. Closed course. Do not try this at home. Trust us, not every shorter ends up in a wealthy European principality driving an exotic car. Some end up in Crow's Landing, CA. So, do you feel lucky, punk?

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February – July is 126 million pounds. If we were to ship that amount this season (756 million pounds), we would have a carry-out going into the 2014 crop of about 410 million pounds. The 3 year monthly average for February – July is 137 million pounds (822 million pounds). This would leave a carry-out into 2014 of 347 million pounds. With the current water situation and a bleak outlook for 2014, not many growers are going to find either scenario to be alarming.

Buyer's Perspective: When current prices hit the markets, you are going to see a big drop in demand. We feel that it's optimistic of you to think that you will hit the 5 year average for the February – July period.

Seller's Rebuttal: Do you think so even with India down 33%, China/HK down 73% and the Middle East down 32% for the month? Once inventories are gone (as they nearly already are in China), then what? Just do without almonds altogether?

Domestic Shipments

Seller's Perspective: A new massive record at 52.25 million pounds (up 17%). Just to put this into perspective, shipments in January 2009 were 25.5 million pounds. More than double the shipments in 5 years. So much for the 'mature market' argument.

Buyer's Perspective: Very impressive.

Export Shipments

Seller's Perspective: And speaking of mature markets, what the heck is happening in Europe? Sure, the Spanish crop is short, but Europe is up 25% for January (11 million pounds) and 22% for the season so far (57 million pounds). With China down 27% for the season and India down 28% for the season....our old girlfriend is looking good again!²

Buyer's Perspective: Many markets just can't afford these prices. We want to buy almonds, but if we can't sell them to consumers, what are we to do with them? Pickle them? A container of NPX 23/25 is around \$185,000 now. This is simply too rich for us to buy in any meaningful quantities. As we noted above, the vast majority of the shipments through January were at considerably lower levels. Let's see how February and March shipments go. You may be disappointed.

Bloom

Bloom is in the very early stages. No, our website does not have live bloom coverage. Ours is pre-recorded.

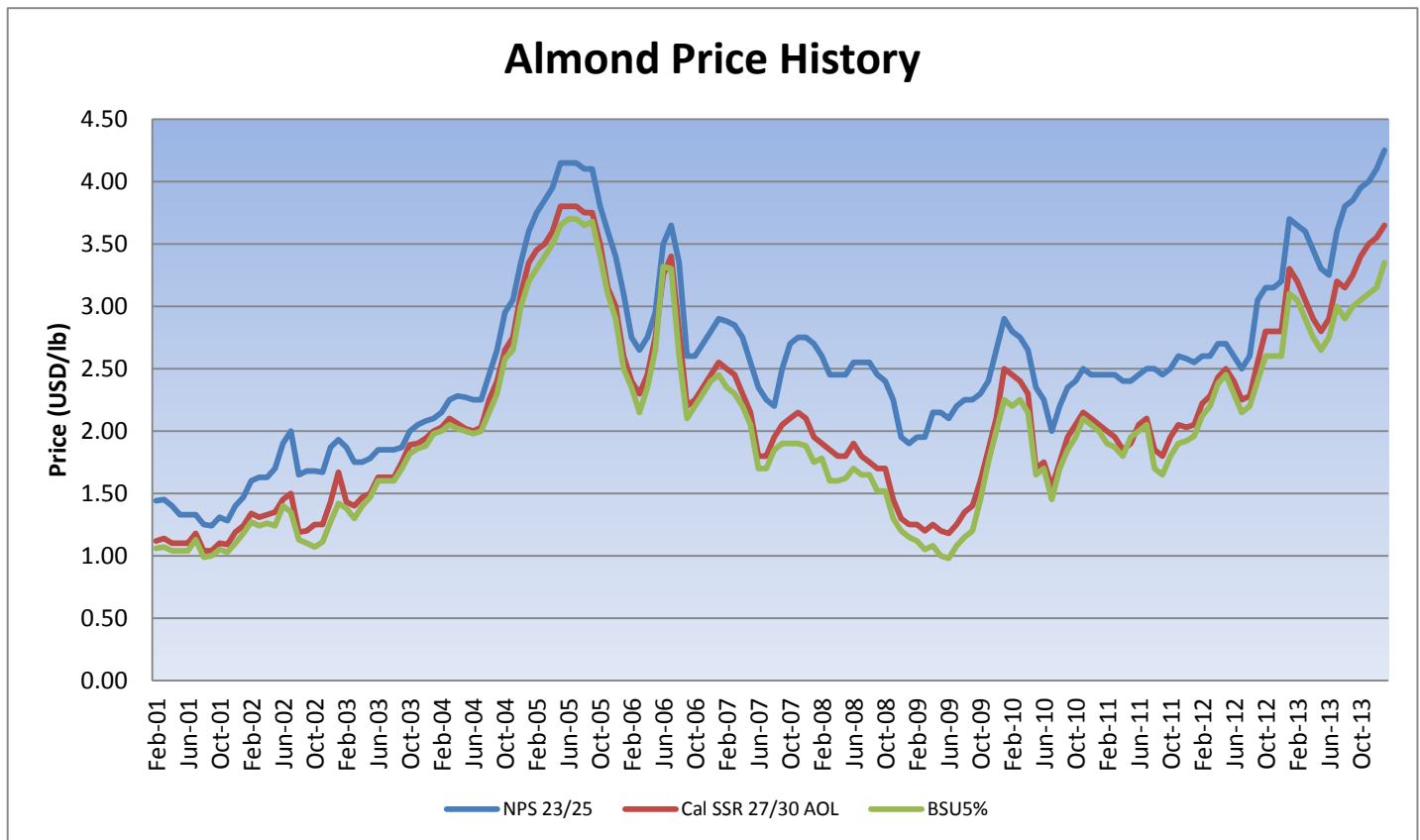
² With the Middle East up 22% for the season, this would seem to be the perfect place for a Middle Eastern girlfriend joke too, but it seems that we are walking on thin enough ice in the Middle East with previous jokes we have made and would now rather take our chances annoying the Norwegians, the Dutch or the Germans. Please understand that in no way are we making an ethnocentric cultural statement....uhm.... but we would rather piss off countries where they let their women drive than ones where they still stone them for adultery (though that would admittedly be effective population control in the US, where well over 50% of the population would be killed). For a great talk (totally unrelated to almonds), and if you have 23:06 free (since you don't have enough money to buy almonds), go to [Ago Says This is Worthwhile](#).

Water

There have been reports about the drought in the Western US in nearly every publication in America. It has been on all the major *and* minor news shows. Publicly, everyone is very concerned. Privately, everyone is very concerned...but they are even more concerned about 2015 than 2014. This year the water costs will be high and water will be diverted from row crops, but the major players will find a way. Next year, without a drastically improved water situation, even the major players may not find a way.

There are other much more authoritative water experts in our industry and we defer to them for their in-depth, likely Prozac-inducing, analysis. For now, despite the fact that everyone now knows about the serious drought, few other than Bill and Carl are doing anything about it. For a few snapshots of what that brave duo is doing on your behalf, please see the end of this report.

Prices



[Don't Stop At The Top](#)touch the sky before you drop. No one will blame California for not trying!

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Conclusion

Buyers don't think that current prices are sustainable any longer, drought or no drought.

Sellers think that there is additional upside from the current prices and that despite some initial resistance, buyers will eventually accept the new levels. They point to the higher prices of other tree nuts and the lower inventory levels in many major almond consuming markets.

Once product at current prices hits the shelves, consumers will ultimately decide. It's important to remember that the vast majority of the product at the consumer level was purchased months ago. There is an inevitable lag between the time that prices start to negatively (and perceptibly) impact demand until the time that this message reaches growers in California.

2014 may be the 10th year in a row that almond shipments go up on an annual basis....or it may be the year that we test the limits of what the global marketplace can afford to pay. [Only Time Will Tell](#)³

"The consumer's side of the coffin lid is never ostentatious." Stanislaw J. Lec (1909-1966)

Best Regards,
DERCO FOODS



23-27 FEBRUARY 2014

DUBAI WORLD TRADE CENTER

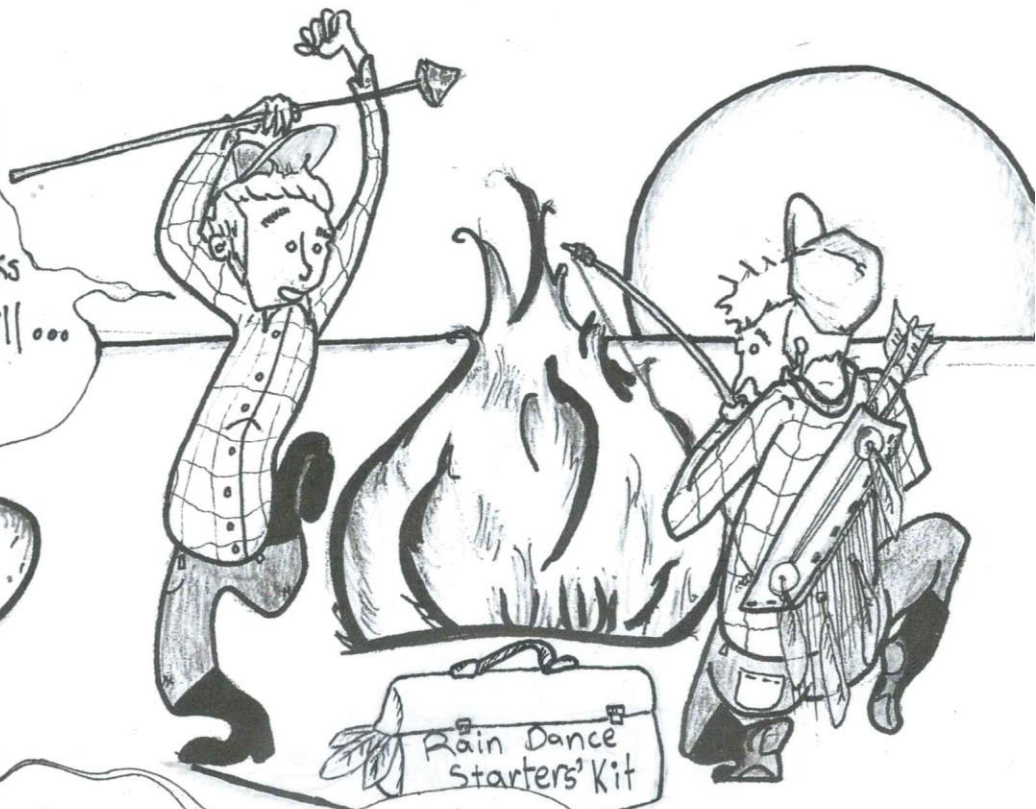
Look Forward To Seeing You...

WUSATA Pavilion

SHEIKH SAEED Hall E43-E45

³ Yes, sticking with our cheesy '80s metal theme, it is indeed Asia. The Scorpions and Asia in the same report. And all this for free. The only free thing in the almond industry these days, to be sure!

You've got the
footwork down cold, but
I don't think this works
without the feathers, Bill...
We need the
feathers



How many times
do I have to tell
you: We're not golfing,
Carl - relax your
wrist!



West Side

'Are we done yet?
Are we done yet?' Seriously?
We haven't even hit the
Asthenosphere, Carl. We'll be
done when you get to
the upper Mesosphere...
till then, keep digging.



VALLEYWELL
COMPANY
"We Go Deep"



You Were
right, Bill.
We're in
business
now!

