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FEBRUARY 2005 ALMOND POSITION REPORT

February shipments were 69.058 million pounds. This is down about 9% from the February 2004 shipments of 75.697 million pounds but ahead of February 2003 shipments of 64.548 million lbs.

FACTS & INTERPRETATIONS

Carry-in from last year: 148.9 million lbs

Crop Receipts: 996 million lbs

Less 4% loss / exempt: (39.8 million lbs)

Total supply: 1.105 billion lbs

Less shipments to date: (662 million lbs)

Less reasonable carry-out: (120 million lbs)

Supply remaining: 323 million lbs

Committed Inventory

Seller's perspective: With 200 million lbs of committed inventory, we don't need to sell much more to reach a reasonable carry-out. Last year between March and July we shipped an average of 74 million lbs. This year, if we just want to carry-out a mere 100 million lbs, then we can only afford to ship 68.6 million lbs. That's an average 10% less per month for the period between March and July. Your faith in the committed inventory figure will determine your opinion as to whether or not California has the capacity (or more accurately, the willingness) to enter into many "new" sales.

Buyer's Perspective: Buyers are holding long positions. Few, if any, are short on current crop. How many industrial buyers are still short for March - June shipments? Who is buying product at these prices right now? End users or speculators? Few people think that prices will go even higher while downward potential looms ominously....And by the way, have you checked how much a container of almonds costs now? Who has the cash to finance multiple purchases?

Domestic Market

Seller's Perspective: 23.5 million lbs shipped domestically versus 21.7 million lbs last year. Higher prices have not yet slowed down the domestic market - the single largest almond market in the world. We are nearly 13% ahead in domestic shipments year-to-date.

Buyer's Perspective: Domestic sales are impressive. But many domestic clients enter into annual contracts and many have been covered for some time at lower prices. Look at exports - 16% less than last February. Most regions of the world are down on imports. If California wanted the higher prices to slow demand, California is getting its wish.

U.S. Dollar

Seller's Perspective: We don't envision many scenarios in which the US Dollar is going to get significantly stronger in the next 12 months. With more confusion regarding social security's future, a continued record trade imbalance, the burden of financing military operations overseas and an overall lingering malaise as to the true vitality of the domestic economic recovery, we think that the Dollar is more likely to hit \$1.40 against the Euro than \$1.20.

Buyer's Perspective: Pray that the dollar stays weak because that has been one of the saving graces for

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your exports. Without the weakness of your currency absorbing some of the price increases, California would not be getting these record returns on billion pound crops. If you slow demand to the extent that you are trying, and as you face the prospect of 50,000 net new acres (or more) per year, with higher and higher yields, the last thing that you want is a strengthening dollar - which will further encourage a downward price correction.

Bloom in California

Seller's Perspective: Even among our own ranks, there is no consensus on the bloom. Most of us feel that the Nonpareil set was not very good. Most of us also agree that the later varieties will fare better. The pessimists among us say 850 - 900 million lbs; the optimists, 1 - 1.1 billion lbs. We are all just guessing at this time but it gives us all something to talk about over coffee.

Buyer's Perspective: We never knew that there were so many closet entomologists in California. Not a day has gone by during the past month that we have not received reports about bees, their flight, their plight or their lack of might (or is that mite?).

Bloom in Spain

Seller's Perspective: We wait and watch the reports from Spain, where they amazingly do not seem as concerned about their bees!!

Buyer's Perspective: Spanish reports in a nutshell: It's very cold and snowing in some growing areas, but the crop is not damaged. We will continue to worry until the end of April.

Prices:

Seller's Perspective: Prices are too high; the market should moderate; we don't want to lose markets we have developed...but we're not offering today.

Buyer's Perspective: Prices are too high; the market will moderate; you are going to lose markets you have developed...you will regret not offering today.

Conclusion:

The February shipment number can be interpreted as bullish or bearish, depending on your position in the market (or your desires for the market). An overall decline in export shipments of around 16% is certainly bearish. Domestic shipments being up nearly 10% and overall shipments still ahead of last year by 1.36% is bullish. It's important to remember that prices are going up to slow down demand. Everyone understands this. The point of contention seems to be how much higher is high enough?

The committed inventory number of nearly 200 million lbs, if accurate, is a factor. Uncommitted inventory of 242.5 million is not much with 5 months of shipments to go. How much buying remains to be done is not clear, especially with the significant price difference between current crop and new crop. It's been said by several others before, but bears repeating again - those who can wait to buy from the new crop will wait. Those who cannot, will only buy what they absolutely need.

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