

February 2012 Almond Position Report

February 2012 shipments are 149 million pounds. This is up nearly 30% from the February 2011 shipments of 115 million pounds.

Analysis

Carry-in from the 2010 crop:	254 million pounds
2011 crop receipts:	1.97 billion pounds
Less 3% loss / exempt:	59 million pounds
Less Shipments to date:	1.171 billion pounds
Less Commitments to date:	421 million pounds
Remaining Unsold Supply:	573 million pounds

Shipments

February was a huge shipment month. For the season, we have shipped 1.17 billion pounds and are 13% ahead of last year. If for the months of March – July we ship at the same levels of last year, we would have shipped 1.8 billion pounds. It is probable that the final shipment total will be closer to 1.85 billion pounds, leaving a carry-out going into the 2012 season of 300 – 325 million pounds. This is a very manageable carry-out.

Committed Inventory (almonds sold, but not delivered)

Domestic commitments up 9%; export commitments up 86%; total commitments up 42% at 421 million pounds. Overall commitments are up 125 million pounds from the same time last year.

Domestic Market

Domestic shipments were a record at 38.7 million pounds, surpassing the record set in February 2009 of 35.5 million pounds. Five of the first seven months of the season have set new domestic shipment records.

Export Markets

Export markets performed incredibly in February. 111 million pounds were shipped, up 33% compared to February 2011, which was the previous record at 83 million pounds. All sectors of the world performed well.

- Asia was up 46% (led by China/HK/Vietnam, South Korea and India).
- Western Europe was up 27% (led by Spain, Germany, Italy and The Netherlands).
- The Middle East was up 83% (led by Turkey, the United Arab Emirates and Saudi Arabia).

Regional Shipments

Here are the shipment statistics for shelled and inshell almonds to major Middle Eastern markets (in pounds) for the 2011 almond season:

Country	<u>August 2011 - February 2012</u>		<u>August 2010 - February 2011</u>		<u>% Change</u>
	Shelled	Inshell	Shelled	Inshell	
Egypt	6,423,600	966,878	4,935,200	562,475	34%
Israel	2,917,602	124,433	3,502,336	167,043	-17%
Jordan	3,972,400	374,776	5,064,550	1,147,081	-30%
Lebanon	4,015,025	10,589	5,834,450	3,543	-31%
Saudi Arabia	10,446,611	422,294	5,738,649	91,930	86%
Turkey	19,018,427	18,880,365	11,582,475	16,655,478	34%
UAE	48,832,124	9,930,229	50,287,079	8,709,111	0%

Conclusion

After this shipment report, California is very confident that prices will only rise. Many clients are not so sure. Let's look at some of the factors that may impact pricing in the months ahead.

Factors that point to a stable or firming market

- California seems to be running low on Carmel and California varieties....with new crop not until October. Europe needs to buy almonds for June forward.
- The Middle Eastern Market is active. There has been a lot of demand for Nonpareil, as well as California/Carmel Supreme 27/30 with limited offers from California. Shipments to Dubai are flat compared to last year. That region seems to have more buying to do.
- There appear to be few growers/processors people left holding large size Nonpareil (18/20 – 20/22); and few people left holding Nonpareil in sizes 27/30 and smaller. The best value on Nonpareil will likely be in size 23/25 between now and new crop, though the new market levels will be over \$2.70 per pound on an FAS basis.
- Several key growers are very low on inventories of inshell almondsthere will be more inshell demand from China, India and Turkey between now and the new crop in September / October. That is why some HK companies are readily paying \$1.95/ lb or higher (FAS basis) for inshell NP. The domestic Indian market is selling at cheaper levels than what California is offering. This situation will very likely correct itself once there is more clarity about the 2012 Nonpareil crop.
- As we mentioned in our last report, for now many growers are indicating that the Nonpareil crop for 2012 will be less than it was in 2011. If this shortage materializes, and depending on the extent of the shortage, this could impact the final crop total and push prices higher for the opening of the 2012 season.

- If the new crop comes under 2 billion pounds, prices will stay firm or go higher. Global demand this year will be 1.8 – 1.85 billion pounds. A 300 – 350 million pound carry-out simply is not a big deal anymore. California needs it for the transition. So anything less than 2 billion pounds will result in the need to slow shipments down. And this will be done with higher prices.
- Because of the general pessimism about the Nonpareil crop, the May subjective estimate (by growers) will likely be on the lower side – which may keep things firm through June (until the objective estimate is released).

Factors that may result in a weaker market

- China seems to have sufficient almond inventory for the time being. They bought actively immediately after the Chinese New Year, but have slowed down considerably since that time. There will still be more current crop inshell demand from China. We are not sure how much shelled demand will come in the next 60 days. In fact, it is possible for China to become a reseller of shelled almonds during these immediate few months.
- Bloom weather was very good. The few recent nights of cold weather that we had in California do not seem to have caused any considerable damage. The California varieties will likely have a very good crop in 2012. The question is how the Nonpareil variety will do. If the Nonpareil crop is stable, then the overall almond crop will likely be at or over 2 billion pounds.
- Many European economies are in bad condition. Europe is still buying – and their consumption of almonds is steady year over year – but unlikely to increase dramatically.
- Iran is feeling the impact of sanctions. There is good demand from Iran, but the importers there are having a hard time transferring money out of the country to pay for imports. This is impacting the trade in the Middle East, especially in Dubai – where shipments have not increased compared to last year.
- Many economists are predicting that the US Dollar will strengthen against the Euro in the coming months.
- Shipments last season between March – July were very strong. It is unlikely that shipments this season will be much greater than last season for this same period.

After the big February shipments and considering that March shipments will also be very good, it seems that the likelihood of any big price correction before the new crop objective estimate (on June 29) is small. By the summer months, the talk will be about new crop pricing and the size of the objective estimate will determine whether or not new crop prices will come down.

Best Regards,
DERCO FOODS