

**February 2014 Almond Position Report**

February 2014 shipments are 149 million pounds. This is 6.7% lower than the February 2013 shipments of 160 million pounds.

**2013 Almond Supply**

Carry-in from the 2012 crop:	317 million pounds
2013 crop receipts to date:	1.990 billion pounds
Less 3% loss / exempt:	59 million pounds
Less Shipments to date:	1.219 billion pounds
Less commitments:	387 million pounds
Remaining unsold supply:	642 million pounds

**Shipments & Receipts**

"It is better to know some of the questions than all of the answers." James Thurber (1894-1961)

Seller's Perspective: With only 9 million additional pounds received since the January report, it now looks like 2 billion will be the ceiling for this crop. As for shipments, they are down 6.7%. At first blush, that looks bad, doesn't it? But is it really bad if you look at it a bit closer?

- China/Hong Kong **-74%** for February (**-9.45** million pounds) and **-31%** season to date (**-54.1** million pounds).
- Vietnam (also known as China) **-76%** for February and up 18% for the season (this is only +2.16 million pounds; not nearly enough to compensate in any meaningful way for the drop in China/HK).
- India **-34%** for February (**-4.8** million pounds) and **-29%** season to date (**-28** million pounds)
- United Arab Emirates **-49%** (**-5.9** million pounds) for February and **-4%** season to date (**-2.4** million pounds)

With inventories in these markets at already low levels, what are they going to do for 6 months until new crop?

Buyer's Perspective: Down 6.7% is down 6.7%. You can spin the reasons any way you want. The bottom-line question: if this quantity needs to be made up, then you are right – there is nothing to worry about and in fact, it would suggest that the March – July period will have great shipments. But there is another scenario. If China, India and the UAE can do without almonds at these high prices, then you have a more serious problem, especially heading into next season. Which will it be?

**Commitments**

"A psychiatrist is a fellow who asks you a lot of expensive questions your wife asks for nothing." Joey Adams

Seller's Perspective: Domestic commitments about the same as last year (up 0.85%); Export commitments up 6.39%; Total commitments up 3.71% (387.7 million pounds v. 373.8 million pounds last season at this time). The March – July shipment average for the past 3 years is 683 million pounds. This has been as high as 727 million pounds (2012) and as low as 632 million pounds (2011). If we ship the 3-year average this season, that will leave a carry-out going into the 2014 season (on August 1) of 345 million pounds. Is this a daunting amount?

**Buyer's Perspective:** Uncommitted inventory is also up 7.8% (46.5 million pounds for a total of 640.7 million pounds). At what prices were the above commitments made? When the early, cheaper price contracts are shipped, how will commitments look then? Who is taking long positions at these prices? It seems unlikely that shipments will keep pace with the average of the past 3 years. The past 5-year shipment average for March-July, is 628 million pounds. That scenario would leave a carry-out of 400 million pounds going into the 2014 crop. This season shipments could be even less than the 5-year average, which would mean an even larger carry-out. Starting to look more daunting, especially if coupled with a good new crop forecast, isn't it?

### **Domestic Shipments**

"Historians are like deaf people who go on answering questions that no one has asked them." Leo Tolstoy (1828-1910)

**Seller's Perspective:** Hark! Up 26%. O ye of little faith, up 26%!! Come forward and remember, thine eyes are not just to look, but to see. See and ye shall believe! O, Domestic Market, thine grace is not as the pearls cast before swine. Health, snacking, confectionary, bakery, and good advertising – our cup runneth over with thine bounty. American consumer, hallowed be thy name. Recall the words of the ABC: 23 almonds for every rising of the sun shall bestow upon you a strong heart, a lean waist, and crunch that will ring to the heavens. And the heavens will smile upon thee and continue to raise thee up as the most exceptional country in the world.....Yeah, sure.... forget about all that Promised Land mumbo-jumbo...that was a long time ago and what has that Promised Land done in the past 2,000 years? It's been a perennial under-performer. USA is #1!

**Buyer's Perspective:** #1 indeed.

### **Export Shipments**

"Sometimes the questions are complicated and the answers are simple." Dr. Seuss (1904 – 1991)

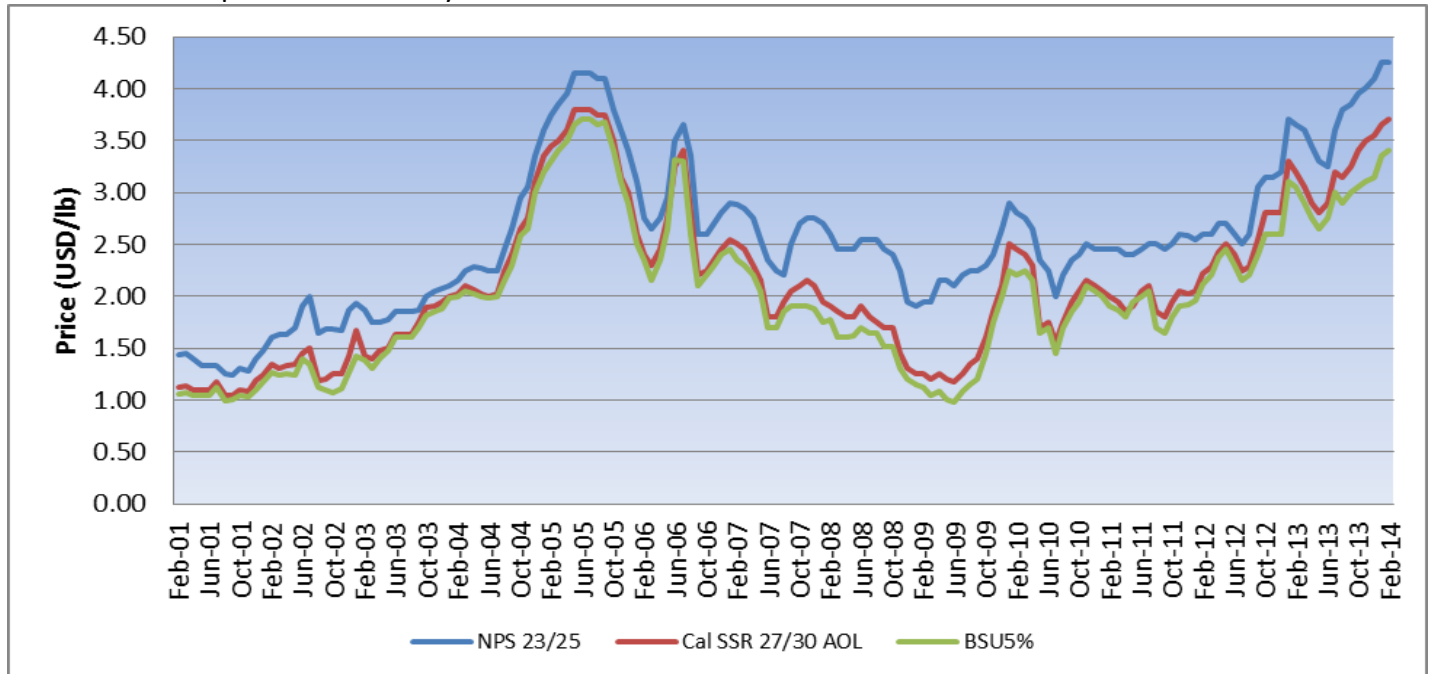
**Seller's Perspective:** Shipments down, no need to frown, the Asians laying low. The Indians crying, no one buying, currency has no flow. Chinese banking, government spanking, importers fear a crash. Arabs looking but not booking, holding on to cash. Down six point seven, not quite heaven, but neither is it hell. Six months to new crop, wait for June drop, no water in the well. If crop looks good, we'll guess it right but NASS will cast a doubt. For two years now, they've got it wrong and really helped us out.

**Buyer's Perspective:** Shipments down, you better frown, you're going in the tank. Prices high, the world can't buy, it's time to be more frank. You cried and cried, let's not say lied, but 1.8 was bull. And now your crop is 2.0, your warehouses look full. So water is the big deal now, though you are all cash rich. Scare us into booking fast so we can be your ~~bitch~~ long term partner for lasting cooperation and mutual benefit.

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## Prices

“Truth fears no questions.” Anonymous.



## Reality is Stranger Than Fiction

“If there are no stupid questions, then what kind of questions do stupid people ask? Do they get smart just in time to ask questions?” Scott Adams.



### Water Witches

For those of you who remember the cartoons we put out last month....click the link above and enjoy.<sup>1</sup> And remember that for every water witch/dowser there is a clairvoyant cartoonist.

<sup>1</sup> “California farmers hire dowzers to find water.” AP; Jason Dearen; March 3, 2014. If you missed our cartoon, you can find it here: [January Report](#); If you think the above article is a joke, read some of the comments on the site below the article. We found our new business model. It will sure reduce the number of emails we need to read each day. And all we need to do is to keep our copper rods well-polished. Sounds like fun.

## Conclusion

No serious person doubts the drought information. It has been well-chronicled in media unrelated to the almond industry and nationally and internationally disseminated. The big question looming over everyone in the industry is about the true availability of water for the 2014 crop. Other questions:

- Was bloom fabulous, great or good?
- Does rain during bloom really affect production?
- Is this El Nino talk just talk?
- Can we accurately predict bee flight hours? Does this matter?
- Is it the duration or quality of bee flight hours that impacts the crop size?
- Is it length or girth that's really desired? (just checking to see if you're reading)
- Are there truly any big farming operations in California that have not prepared for this eventuality, at least for this year? What true impact will the water issue have on the 2014 crop?
- When your crop looks good but your neighbor's crop does not look good, does that = 2 billion pounds+?
- Who has functioning wells? What impact is the moratorium on new wells in certain areas actually going to have?
- Why has NASS missed the last 2 crops, whereas between the 2001-2011 seasons, for 11 consecutive years, NASS was more accurate than the subjective estimate? Was 2013 a 'compensation' year for NASS after a 10% miss in 2012?
- What is the actual bearing acreage in California? How many new acres going in v. old acres coming out?
- Can we go through a full season at current or higher prices?
- What does the 2014 crop size need to be for prices to stay at current levels? If we have a total supply of 2.4 billion pounds (new crop + carry-out), how does that impact California's pricing strategy?
- With shipments this season ahead of last season by 3.6% and commitments up 3.7%, why should California be worried and lower prices?
- Spain has imported 25 million more pounds this season than in 2012. Europe overall has imported nearly 54 million pounds more than last season. With Spain looking to have a great 2014 crop, what will that do to California almond exports to Spain specifically and to Europe generally?
- Will China/HK/Vietnam imports continue to lag by 30% or more? Is it just a matter of time for Chinese importers to adjust to the new pricing reality and to have confidence in California's ability to hold prices? Or has the Chinese market seen a seismic shift in demand due to a slowing economy, tightening banking policies and a fierce anti-corruption crackdown?
- Are prices simply too high for India?
- Are prices too high for the Middle East? If so, then what nuts will this high per capita nut consuming region eat? Will they just do without?
- Are shipment declines in export markets a matter of final price to the consumer or a result of importers lacking market confidence? Who is making the decision? Are shoppers not picking almonds off store shelves because they are too expensive or are importers afraid to commit \$175,000 for a load of almonds because they are looking at historical pricing and fear a price collapse?
- How much wood could a woodchuck chuck if a woodchuck could chuck wood? (still just checking....)
- Could BSU5% ever go back to being \$1.50? What factors would need to converge for that to happen?



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- What is truly the new bottom/baseline for almond prices for the coming 2-3 years? BSU5% at \$2.25 per pound? \$2.50? \$2.75? Based on what? At what price point will major buyers enter and book as much tonnage as California will allow, thus setting the new floor?
- Will US consumers continue to pay higher and higher prices for almonds (and other nuts) in supermarkets or is there a price point at which they just shift to something else? What is the price elasticity of almonds in the domestic market? How, if at all, is the health messaging changing that?
- Will industrial almond users be able to keep up with the rising cost of almonds as an ingredient for their products? At what point will they start to reformulate products, reducing almonds as a percentage of mixes or dropping them altogether?
- What impact does the Australian crop have on California pricing? How affected has the Australian crop been by recent heavy rains?
- When is the rapture going to take place? (not fair; that's the easiest one to answer)

This industry is exceptional. It prides itself on professionalism, world-class, responsible and sustainable farming practices, on the sanctity of contracts, on quality control / food safety that is second to none and on the transparent dissemination of accurate information. California's credibility - this is what is at stake now. We should all safeguard this credibility vigilantly and not weave a tale that merely bolsters our short-term interests.

"Judge of a man by his questions rather than by his answers." Voltaire (1694-1778)

Best Regards,  
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For those of you who visited us at Gulfood, thank you.

