DERCO FOODS®

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

February 2015 Almond Position Report

February 2015 shipments are 140 million pounds. This is 6% lower than the February 2014 shipments of 149 million pounds.

2014 Almond Supply

Carry-in from the 2013 crop:	350 million pounds
Estimated 2014 crop size:	1.854 billion pounds (revised from NASS's 2.1 billion)
Less 3% loss / exempt:	55 million pounds
Less shipments to date:	1.058 billion pounds
Less commitments:	445 million pounds
Remaining unsold supply:	646 million pounds

Shipments
Shipments are down 6% for the month of February and 13% for the season. Receipts are at 1.854 billion pounds, confirming that this crop came in much lower than the NASS estimate of 2.1 billion pounds.

Commitments (Almonds that are sold, but not yet shipped)
The strength of commitments is a surprise. Domestic commitments are up 12% at 204 million pounds. Export commitments are up 17% at 240 million pounds. Total commitments are up nearly 15% at 445 million pounds. Uncommitted inventory is 645 million pounds. This is nearly identical to last season at this time (up a mere 0.77% or 5 million pounds).

Domestic Shipments
Domestic shipments for February are 49 million pounds, down 9.5%. Despite the decline, this is still the second biggest February in history.

Export Shipments
Exports continue to lag behind previous years. Exports in February were 90 million pounds, down 4.4% compared to February 2014. For the season, exports are down 18%.

China/HK is up 173% for February (shipments of 9 million pounds), but still down 24% for the season. Vietnam is up 2835% for February (shipments of 1.7 million pounds) and up 41% for the season. Japan is down 8%; Taiwan is down 42%; South Korea is down 25%. India is up 1%. The total Asia-Pacific region is up 18% for February.

Western Europe is down 17% for the month of February and down 22% for the season; Eastern Europe is down 78% for the month of February and down 71% for the season; Europe overall is down 22% for the month of February and down 27% for the season. All major importing countries in Europe with the exception of the UK are down (France -14%; Germany -5%; Italy -17%; Netherlands -1%; Spain -30%; United Kingdom +9%).

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In the Middle East, Dubai is up 90% (total imports of 11.5 million pounds v. 6.1 million pounds last year) and Kuwait is up 60%, but this is on small quantity (3 containers). All other markets in the Middle East are down (Israel -51%; Jordan -65%; Lebanon -37%; Saudi Arabia -65%; Turkey -20%). As a result of the shipments to Dubai, the Middle East as a region is up about 3 million pounds in February compared to last year. Many buyers in the region will turn to Dubai in the coming few months for their prompt purchases.

Regional Shipments

Here are the shipment totals for shelled and inshell almonds to major global markets (in pounds):

	August 2014 - February 2015		August 2013 - February 2014		% Change
EUROPE	**Shelled**	**Inshell**	**Shelled**	**Inshell**	
France	11,711,924	51,318	14,481,957	81,474	-19%
Germany	69,343,843	40,365	81,507,736	125,220	-15%
Italy	22,552,297	1,274,120	31,834,850	1,457,703	-28%
Netherlands	27,648,403	0	29,352,765	0	-6%
Spain	74,746,900	753,424	107,466,636	2,382,894	-31%
U.K.	15,328,341	0	17,444,766	42,471	-12%
MIDDLE EAST					
Egypt	1,742,750	223,784	2,594,500	160,246	-29%
Israel	3,516,737	408,312	2,861,550	241,228	27%
Jordan	1,714,000	460,098	4,770,950	557,990	-59%
Lebanon	2,102,000	8,730	3,262,325	0	-35%
Saudi Arabia	3,994,725	195,261	7,682,550	218,458	-47%
Turkey	15,763,233	4,536,487	20,801,500	19,495,981	-50%
UAE	47,424,013	8,096,551	47,858,720	6,314,587	2%
ASIA					
China/HK	44,307,016	49,131,165	61,683,831	61,000,895	-24%
Japan	34,178,558	82,048	44,876,982	216,628	-24%
South Korea	28,030,392	0	31,373,234	161,091	-11%
Taiwan	7,376,050	309,527	9,633,331	415,598	-24%
Thailand	2,205,100	0	2,547,250	0	-13%
Vietnam	1,169,252	18,591,889	822,397	13,162,824	41%
India	4,887,861	79,064,770	2,450,981	67,846,740	19%

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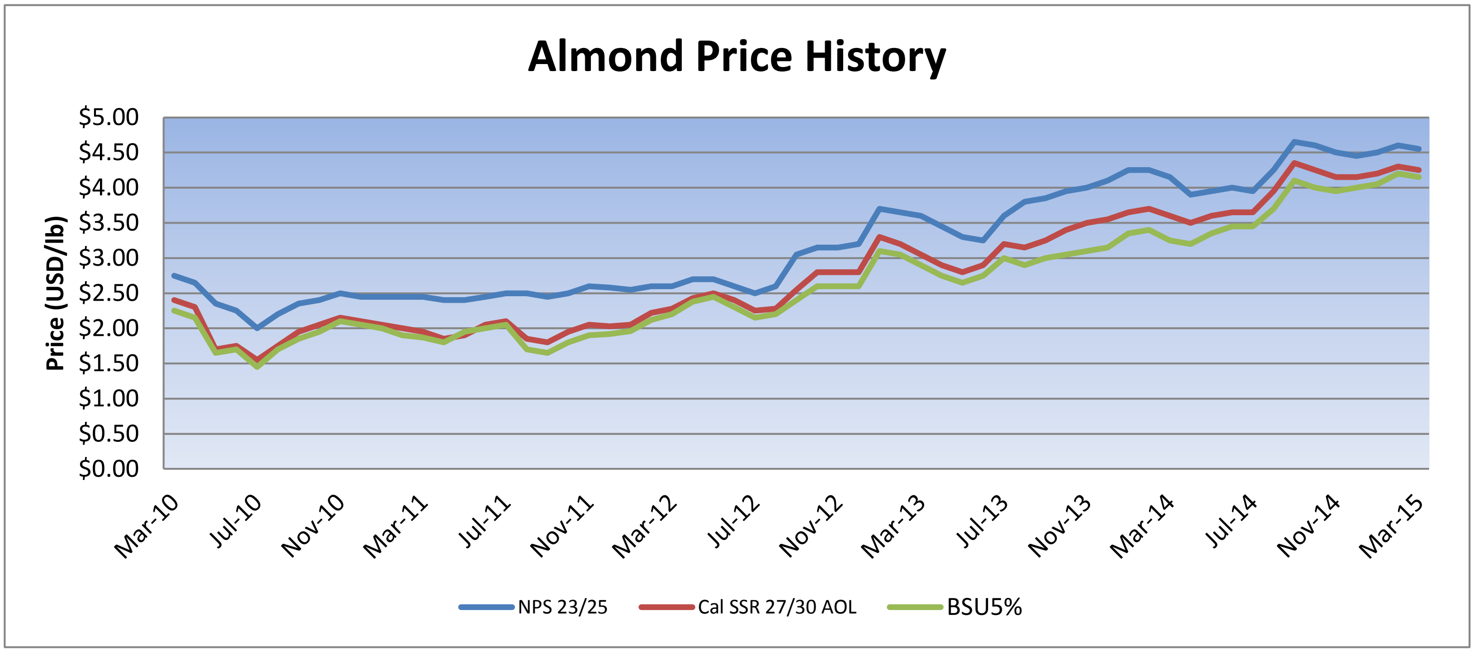
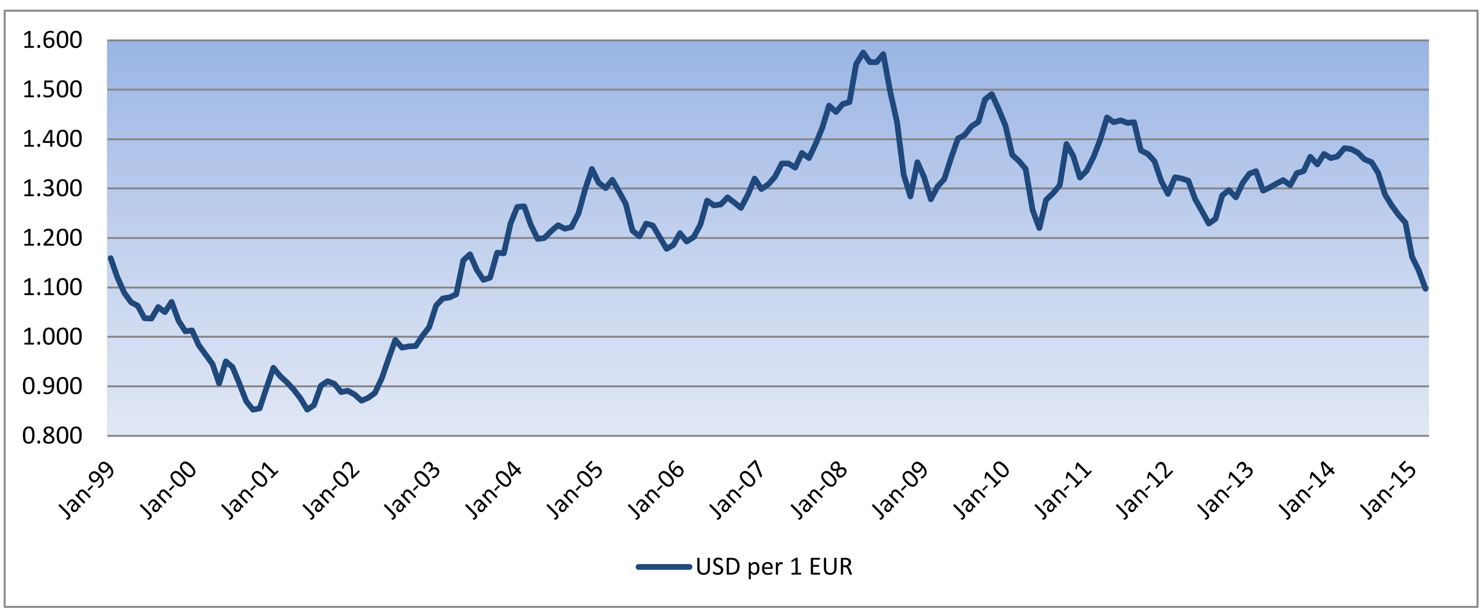
Prices

Below is a 5 year almond price history:



USD v. EURO

Here is an update of where the Euro is trading against the US Dollar (since inception on January 1, 1999 – February 2015)



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Conclusion
Three topics have dominated the almond conversation in California in recent months: the perfect bloom, the lack of water and the inexplicable West Coast port situation.

Bloom was virtually perfect. Weather conditions were ideal, bee flight hours were optimal…..and yet there is a question about the coming crop size because of……the lack of rain and snow.

California has had another dismal rainy season. The snowpack in the mountains is even more disappointing. We will all find out together, during the 2015 harvest (August – October), what the impact of this lack of water will be on the crop. There are more densely planted acres coming into production and this would point to a bigger crop. The unknown is the impact of the water. There will be lots of speculation between now and harvest and we will all have to listen to it and make decisions based on which arguments we feel are more persuasive. It is likely that, unless new crop prices begin to trade at a considerable discount to current crop, buyers will only buy what they need for the short term and continue to watch the progress of the crop. We don't expect to see considerable forward contracting at this time.

Lastly, the port situation between the ILWU (International Longshore and Warehouse Union) and the PMA (Pacific Maritime Association) seems to have been settled, though the disruption to shipping schedules and the congestion created at all West Coast ports is projected to last through May and even June. We have much to say on this topic, but our comments are not constructive and will not change reality. Suffice it to say that we are bitterly disappointed that a relatively small group of people were able to yield such power over the massive US economy and to cripple the economy of the Western United States. As long as unions continue to control West Coast ports, and as long as efficiencies are shunned for the sake of multi-generational job security, importers and exporters alike are going to look for alternatives to using the ports along the coasts of California, Oregon and Washington.

The February almond report was a good one for California. Despite the tragic logistical nightmares, exports were only down 4.4% and overall shipments were only down 6.3%. Most encouraging to California growers is the fact that the committed inventory numbers (almonds sold but not shipped) remain strong and the uncommitted inventory (almonds not yet sold or shipped) is essentially the same as last season at this time. This would indicate that March shipments may be surprisingly good again.

We recognize that buyers around the world are not happy at the current price levels. Importers in Europe are also facing the added burden of a sharply weaker Euro. The Australian crop is expected to be good and Australian inshell Nonpareil will help offset the shortage of California inshell NP in markets like India. Spain is expecting a good crop and is now selling below California's prices. Nevertheless, growers are going to argue that despite all the economic and political challenges faced, the California almond crop is being sold. Growers are under little pressure to change their sales strategy, at least until there is more clarity on the potential of the 2015 crop.

Best Regards,
DERCO FOODS