

March 2013 Almond Position Report

March 2013 shipments are 140 million pounds. This is down 18.5% from the March 2012 shipments of 172 million pounds.

Analysis of the 2012 Almond Season

Carry-in from the 2011 crop:	335 million pounds
2012 receipts:	1.878 billion pounds
Less 3% loss / exempt:	56 million pounds
Less Shipments to date:	1.316 billion pounds
Less commitments to date:	328 million pounds
Remaining unsold supply:	513 million pounds

Shipments & Receipts

March 2013 shipments were expected to be lower, based on a drop in exports, and this turned out to be the case.

Crop receipts at 1.878 billion pounds received now indicate that reaching 1.9 billion pounds this season will be unlikely. It now seems certain that the NASS estimate for the 2012 crop (at 2.1 billion pounds) was off by more than 10%.

Commitments (Almonds that are sold, but not yet shipped)

As was the situation in February, commitments are down for the month of March. Buyers were hesitant to book while prices were falling. Domestic commitments are down 1.35% compared to last March. Export commitments are down nearly 28%. Total commitments are down 15% (327.7 million pounds in March 2013 v. 386 million pounds in March 2012). Uncommitted inventory is up 7.5%.

Domestic Shipments

Domestic shipments were the exception – another incredible performance and new record at 52.2 million pounds. This is up 7.7% compared to last March (48.49 million pounds), which was the previous record. Six of the past eight months have set new domestic shipment records. The US market has not followed the global trend during the past few months as January, February and March shipments have been new records.

Export Shipments

Export shipments were down dramatically for March – by nearly 29% compared to March 2012. However, it is important to note that the 88.44 million pounds exported in March was the second largest total, greater than the 87.14 million pounds shipped in March 2011. The exports in March 2012 were phenomenal, at 124 million pounds. It would have been impossible to match these totals at current market prices and under the current global inventory conditions.

Shipments to China/Hong Kong are down by 63% for March, after being down by 40% for February. Vietnam is now down 78% for 2 months in a row. Shipments to India were down by 30% for March, after seeing a huge

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increase in February (up 80%). Japan and South Korea are the only 2 major importers in the region who are up for the month of March, by 13% and 40%, respectively. As a region, Asia is down 36% for March.

March shipments to Europe were down 7% overall, with Western Europe down 9%. France was down 5%; Germany up 1%; The Netherlands up 8%; Spain down 7%. The UK was down 39%. Russia was up 1%, after being up 96% in February.

Shipments to the Middle East are down 66% for the month of March. Lebanon and Egypt were the only two countries that were up. Lebanon was up by 41%; Egypt was up by 26%. Saudi Arabia was down 56% after being down 51% in February; Turkey was down 93% after being down 55% in February; Kuwait was down 54% after seeing a huge jump in February (up 507%) and the United Arab Emirates were down 62% (after being up in February by 298%). Algeria was down 27%.

Regional Shipments

Here are the shipment statistics for shelled and inshell almonds to major global markets (in pounds) for the 2012 almond season:

	<u>August 2012 - March 2013</u>		<u>August 2011 - March 2012</u>		<u>% Change</u>
<u>EUROPE</u>	<u>Shelled</u>	<u>Inshell</u>	<u>Shelled</u>	<u>Inshell</u>	
France	17,399,097	62,729	18,165,514	0	-4%
Germany	82,207,367	92,573	75,594,300	126,500	9%
Italy	23,073,134	1,047,668	30,080,915	1,375,777	-23%
Netherlands	27,383,676	15,257	27,895,764	62,406	-2%
Spain	97,480,878	592,837	108,300,240	1,055,532	-10%
U.K.	17,674,283	6,728	15,622,432	0	13%
Russia	32,673,110	2,680,453	25,946,056	574,711	33%
<u>MIDDLE EAST</u>					
Egypt	3,298,000	708,120	6,949,600	984,642	-50%
Israel	1,922,967	0	3,137,752	124,433	-41%
Jordan	3,956,250	611,587	5,501,900	471,649	-24%
Lebanon	3,505,500	3,500	4,740,025	10,689	-26%
Saudi Arabia	7,339,525	236,765	12,998,711	450,721	-44%
Turkey	12,444,900	16,440,851	22,981,227	21,692,400	-35%
UAE	50,527,715	9,815,992	58,400,774	10,110,660	-12%
<u>ASIA</u>					
China/HK	75,288,636	109,416,201	111,822,187	97,964,275	-12%
Japan	44,032,992	297,266	39,718,005	97,047	11%
South Korea	32,831,895	0	25,548,375	0	29%
Taiwan	8,720,520	901,568	9,249,593	840,394	-5%
Thailand	2,743,175	0	1,995,125	317,360	19%
Vietnam	387,200	11,695,001	1,806,130	15,024,375	-28%
India	3,110,972	100,921,441	4,469,755	85,904,271	15%
Pakistan	751,000	2,087,462	2,567,750	2,188,681	-40%

Conclusion

You may be surprised to hear us say that despite shipments being considerably lower than last March, we think that this was a relatively positive report. Here are the reasons why:

- Prices went up by \$0.50 during the second half of January and the first half of February. This was due to a convergence of growers who decided to withdraw from the market and buyers who felt that they had waited too long to cover their immediate needs. But these prices have now fallen for the past 45 days. The prices for most varieties (other than Nonpareil) are virtually back to the levels they were during the first half of January, before the price increase began.
- During the past few months, strong export shipments have actually had a negative impact on prices. Important markets like Dubai and India felt that they bought too much and were rightfully concerned about falling prices in their local markets as importers discounted prices to move inventory. So despite the fact that shipments for January and February were large, prices fell as export demand faded. With the big shipment drops in India and Dubai, we expect those markets to slowly regain confidence.
- China was facing uncertainty on several fronts: (1) a naming issue which forced all importers of almonds to change the name for the product; (2) a problem with contaminated desiccant which resulted in the recall of retail packed almonds; (3) a newly elected central government that was cracking down on spending by government officials, thus reducing discretionary spending at luxury hotels and restaurants by as much as 70%. For the season China is down 12%. Vietnam is down 28%. With the price of all other tree nuts being comparable or higher than the price of almonds, we don't expect this trend to continue for much longer. Inventory levels are manageable in China and buyers are expected to come back to the market before summer.
- Though export shipments for March 2013 are down by 28.7% compared to last March, this was still the second strongest export shipment month. Domestic shipments were another record. Overall shipments for March at 140 million pounds were the second largest in history (behind last March). The previous record had been 130 million pounds in March 2011.
- Though most of the new crop discussions have been very positive, most industry experts that we are speaking with do not realistically expect the new crop to be greater than 2.1 billion pounds. For the current crop, assuming that a 300 million pound carry-out is reasonable, then we are already 88.5% sold: $(\text{total supply of 2.157 billion pounds} - 300 \text{ million pound carry-out}) - (\text{total shipments of 1.316 billion} + \text{commitments of 327 million}) = 88.5\% \text{ sold}$
- There is renewed buying interest from Europe and the Middle East this week. The domestic market continues strong. We expect renewed buying interest from Asia soon.

We hope that the above is useful to you. As always, we welcome your comments.

Best Regards,
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