

March 2016 Almond Position Report

March 2016 shipments are 161 million pounds. This is 15% lower than the March 2015 shipments of 190 million pounds.

2015 Almond Supply

Carry-in from the 2014 crop:	376 million pounds
2015 crop size:	1.88 billion pounds
Less 2% loss / exempt:	37 million pounds
Less shipments to date:	1.153 billion pounds
Less commitments:	423 million pounds
Remaining unsold supply:	643 million pounds

Shipments & Receipts

Receipts now seem to indicate that the crop will in fact not surpass the 1.9 billion pound level.

Shipments are down 15% compared to last March, but this number is skewed. Last season California was dealing with the fallout of a West Coast port slow down. The March 2015 shipments of 190 million pounds reflected the end of the bottleneck at the ports. Containers that had been languishing in California for months were finally able to be shipped, thus inflating the March shipment number (especially as it related to exports). The March 2016 figures of 161 million pounds represent the third highest March shipment totals ever, and this number would actually be the second highest ever (behind March 2011), had it not been for the inflated March 2015 export shipment total.

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

Domestic commitments are 194 million pounds, up 23%. Export commitments are 228 million pounds, up 19%. Total commitments are 423 million pounds, up 21%. Uncommitted inventory (the almonds left to sell for the remainder of the season) is 648 million pounds. This is up 16% from last season. During the past month, California made new sales of 165 million pounds.

Domestic Shipments

Domestic shipments are 41.7 million pounds, down nearly 26%. This is the lowest domestic sales number since March 2010 and the fifth month out of the first eight of the 2015 season that domestic shipments are down. The high prices at the start of the season have clearly had a negative impact on domestic consumption. Many people had argued that the domestic market was mostly immune to price increases. They were wrong. There is a point at which even the most developed market says "this price is too high." At \$5 per pound, US almond buyers said "enough." Since the peak of the market, prices have fallen by more than 50% and now almonds are once again a very good value. The fact that domestic commitments are up 23% compared to last season would indicate to us that the US market will see a relatively quick recovery to more traditional volumes.

Export Shipments

Exports are down about 11% (119 million pounds v. 133 million pounds in March 2015). This is still the third best March export shipment number. We believe that March 2016 exports would have been the second highest if last March's numbers were not artificially inflated because of the resolution of the port slowdowns.

China/HK was -13% (10 million pounds v. 11.6 million pounds). Vietnam was -26% (1.1 million pounds v. 1.5 million pounds). Japan was -33%. South Korea was -28%.

India was -22% (9.5 million pounds v. 12.2 million pounds).

Europe was -3%. Belgium +3%; France +14%; Germany -35%; Italy +48%; Netherlands +60%; Spain -2%; United Kingdom -12%.

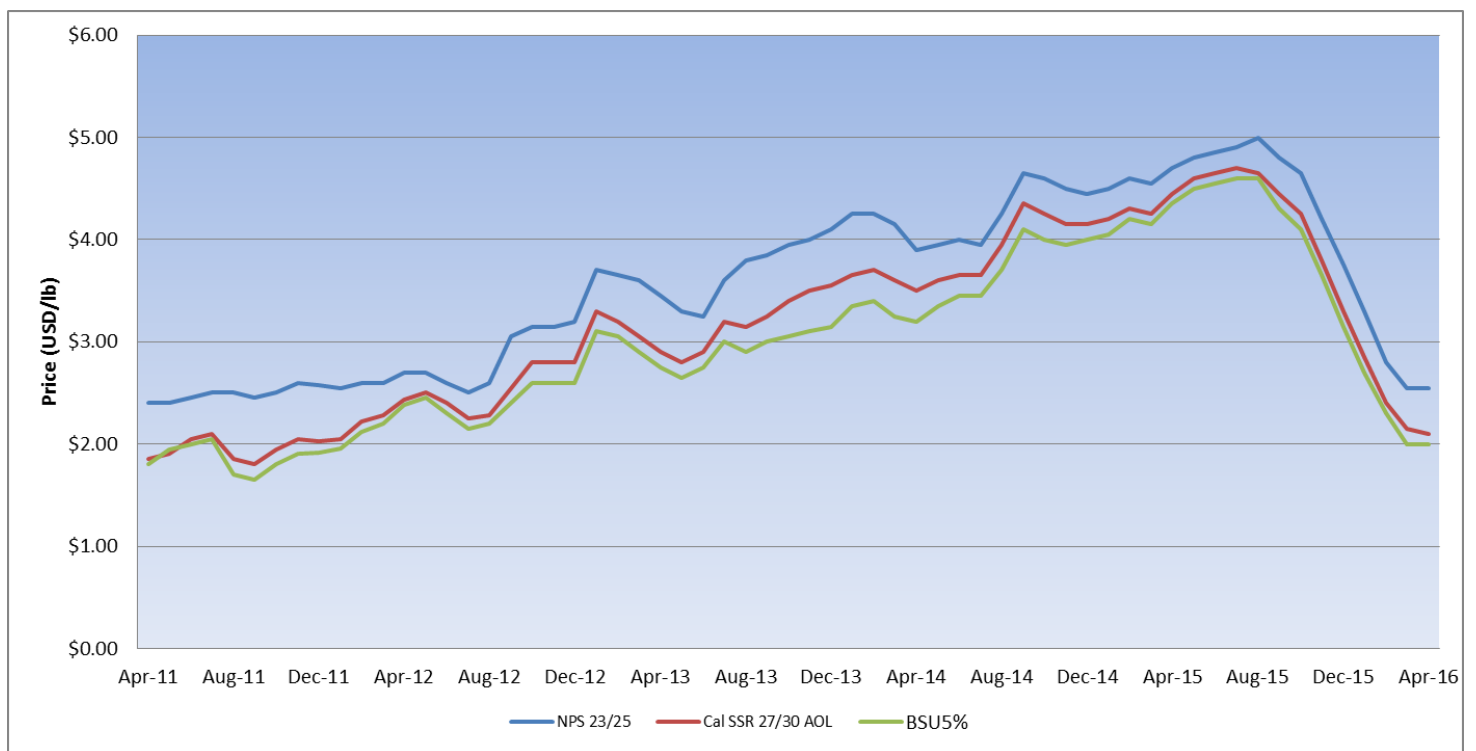
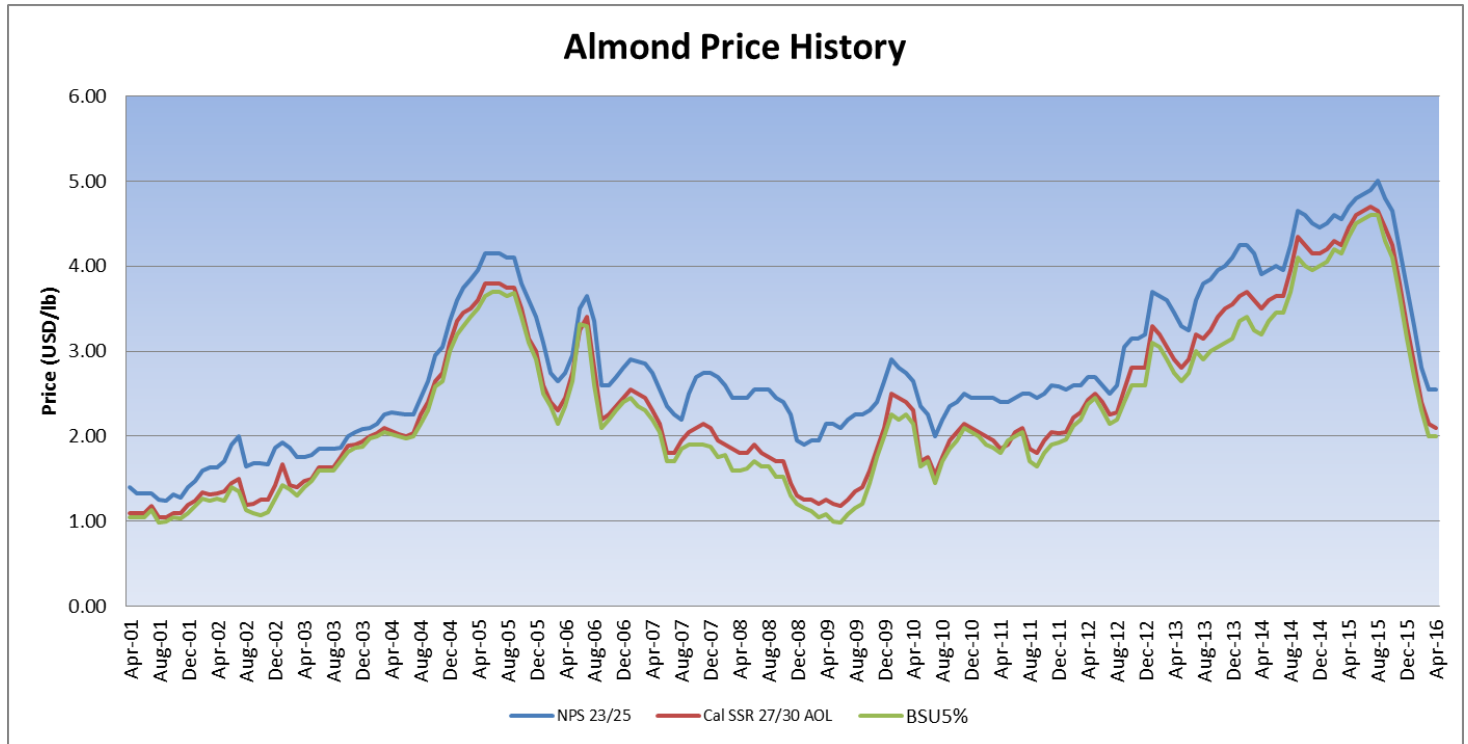
The Middle East was -25% overall. Israel was +248%; Lebanon -38%; Saudi Arabia was -38%; Turkey was +76%; UAE was -58% (5.8 million pounds v. 13.9 million pounds in March 2015). Egypt was +109%.

Regional Shipments

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

	<u>August 2015 - March 2016</u>		<u>August 2014 - March 2015</u>		<u>% Change</u>
<u>EUROPE</u>	<u>Shelled</u>	<u>Inshell</u>	<u>Shelled</u>	<u>Inshell</u>	
France	16,626,717	97,064	14,141,673	51,318	18%
Germany	64,160,614	62,699	84,316,938	40,365	-24%
Italy	37,544,135	1,348,198	26,838,047	1,452,443	37%
Netherlands	29,525,270	0	31,240,856	0	-5%
Spain	117,719,708	891,914	95,563,550	928,263	23%
U.K.	19,536,923	0	18,587,549	31,500	5%
<u>MIDDLE EAST</u>					
Israel	5,347,873	282,992	3,977,437	408,312	28%
Jordan	3,775,000	420,188	2,809,375	460,098	28%
Saudi Arabia	8,873,656	495,263	6,764,725	222,036	34%
Turkey	13,412,949	7,911,000	19,674,200	4,536,487	-12%
UAE	31,330,388	4,024,626	60,862,407	8,597,230	-49%
<u>ASIA</u>					
China/HK	43,968,507	53,425,873	49,376,850	55,663,986	-7%
Japan	40,720,914	342,697	42,038,563	115,011	-3%
South Korea	26,006,321	0	35,377,284	0	-26%
Taiwan	6,288,868	209,384	8,448,425	309,527	-26%
Thailand	2,191,725	0	2,860,450	0	-23%
Vietnam	1,613,551	13,122,144	1,169,252	20,108,209	-31%
India	6,463,128	78,470,637	6,722,111	89,490,723	-12%

Prices





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Conclusion

Earlier this season, a combination of very high prices, a strong USD, economic and banking problems and political instability around the world caused the worst market crash that the almond industry had ever seen. There were defaults around the world, but none as bad as in Dubai and India. Though some processors and traders are still struggling with ongoing challenges, most of the messes have been cleaned up.

Today, prices are at levels we saw during 2011-2012. No one is complaining about almond prices anymore. Now what buyers are looking for is a floor that they can trust. Whether that is at \$2.00 per pound for BSU5 or at \$1.85 per pound for inshell Nonpareil.... price has become of secondary concern. The primary concern is stability. Buyers all over the world are understandably tired of buying product only to find out that a few weeks or even days later, the market has fallen.

It is foolish to speak in absolute terms any time, but it is especially foolish to do so when discussing commodities markets. Circumstances and prices change unexpectedly and often precipitously. But at least for now, it seems that California growers and processors have found some confidence and stability. March shipments were down 15% compared to last year, but we have already discussed the reason for this. Commitments are healthy. Prices are historically attractive. The new crop is expected to be a good one, but not an incredibly good one. It will likely be over 2 billion pounds. The Terra Nova / GLM estimate for the 2016 crop released today is 2.06 billion pounds. Assuming a 2.1 billion pounds crop and carry-out of around 400 – 450 million pounds, and removing the 2% loss/exempt, this will give us a 2016 season marketable crop of around 2.45 – 2.50 billion pounds. California shipped over 1.9 billion pounds during the 2013 season, at prices that were considerably higher than where they are now. If prices remain within a reasonable trading range of current levels, we see no reason that California cannot ship 2 billion pounds or more for the 2016 season.

During the past month, there has been healthy demand and sales from Europe, India and the Middle East. Chinese buyers are still skeptical of another decline, especially following the subject estimate which will be released on May 10th. Nevertheless, importers in China are becoming more comfortable that current prices will hold and there has even been a reasonable amount of new crop business done to China during the past several weeks.

Today's prices feel 'safe'....and that is something that we have not been able to say for a very long time. We certainly hope that California sellers will recognize the losses that so many good and honorable clients suffered this year, and will keep prices at levels that will encourage the honest buyers of almonds around the world to once again come to purchase with comfort.

All of us at Derco want nothing more than to give our clients and friends the opportunity to be profitable this year. Let us know if we may be of further service.

Best Regards,
DERCO FOODS