

### **March 2018 Almond Position Report**

“Thou art weighed in the balances, and art found wanting.” Bible, Daniel v. 27

March 2018 shipments are 193.9 million pounds. This is up 8.8% from the March 2017 shipments of 178 million pounds.

#### **2017 Almond Supply**

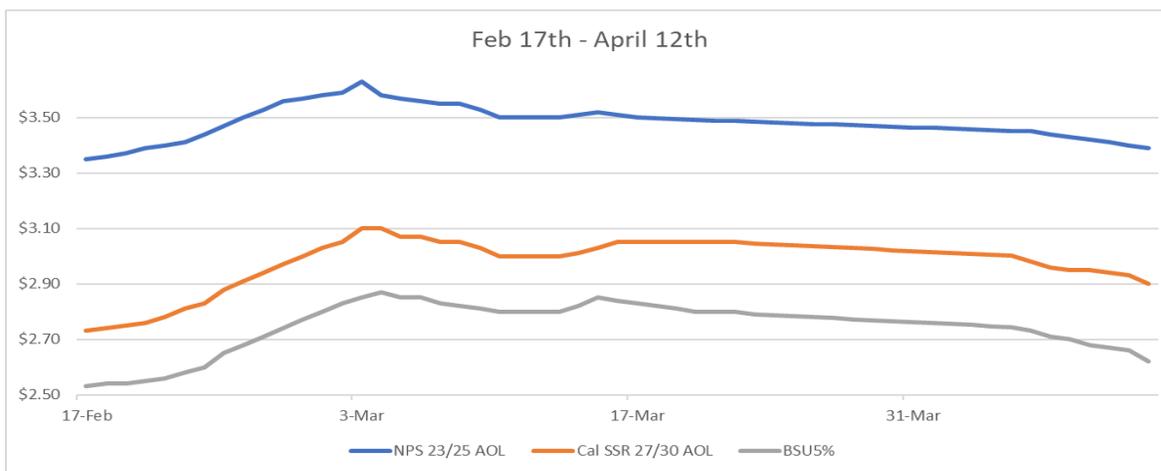
Carry-in from the 2016 crop:	400 million pounds
2017 crop supply:	2.256 billion pounds
<b>Less 2% loss / exempt:</b>	<b>45 million pounds</b>
Total Supply:	2.610 billion pounds

#### **THE FROST**

“If you’re really successful at bullshitting, it means you’re not hanging around enough people smarter than you.” Neil deGrasse Tyson

Before we go further, please click on the following and read our report from February 2011: [Derco Foods February 2011 Almond Report](#)

Back to 2018. It had been a mostly typical, uneventful Gulfood until the frost of the millennium hit California around February 20<sup>th</sup>. Frost news spread like wildfire (pun intended) at the food show. In this age of digitization, within minutes the whole world knew that California had a very cold night and was about to have several more. Offers disappeared, panic set in, prices started going up with daily, metronomic consistency. The reports began flying and they were good. Sitting in Dubai and seeing reports including language like “heavy rain,” “zero bee flight hours,” “alarming,” “extensive damage,” “...up to 20% of the crop has been lost,” “experts estimate 10-20% damage,” etc. was scary.<sup>1</sup>



<sup>1</sup> We found the Oxford Dictionary definition of the word “expert” as used in this context [at predicting frost damage on 1 million acres of almonds on the day of the frost event]: **Expert** /ek,spərt/ (n., adj.) “Someone with a camera, a thermometer (or access to an internet weather site), an email account and a distribution list of 10 or more individuals, who preferably all live overseas and are unfamiliar with the words ‘frost’ or ‘damage’ or ‘extensive’ or ‘unprecedented.’”

We never trivialize frost events, because they certainly have the potential to be very meaningful. But we also have a rough idea of the spotty nature of frost events and we're pretty sure that there are about 1 million acres of almonds in California. A million acres is 1,562.5 square miles, or just under 1% of all the land in California. For those who know what a football field looks like, this is the same size as 757,575 football fields. For those who prefer soccer (or what the rest of the world calls 'football'), that is the same size as 371,747 soccer fields. Although we had our parachutes on, unlike many others, we chose not to jump out of the plane until the engines actually stopped. And they did not, at least not yet. Some companies sent out thoughtful, balanced reports. Others used the cold weather to grab headlines. Graphs, charts and frozen tree photos were sent around like crazy. Here is a very brief collage:

**PERCENT OF EXPECTED DAMAGE TO ALMONDS DUE TO COLD TEMPERATURES @ 30 MINUTES EXPOSURE**

VARIETY	30°F	29°F	28°F	27°F	26°F	25°F	24°F	23°F	22°F	21°F	20°F
<b>SONORA</b>											
Green Bud						1				5	
Pink Bud						20		30			
Full Bloom					70	80	80	90	90		
Small Nut	1	5	80	100							
<b>NONPAREIL</b>											
Pink Bud						20	40	40		50	
Full Bloom				50	70	90	90	90			
Small Nut	1	1	40	90	100						
<b>PRICE</b>											
Pink Bud						30	30	30	40	40	
Full Bloom			5	50	70	90	100				
Small Nut			30	80	100						
<b>CARMEL</b>											
Pink Bud						40	50		70	70	
Full Bloom					80	90	100				
Small Nut	1	10	30	70	100						
<b>BUTTE</b>											
Pink Bud						40	80	80	90	90	
Full Bloom					80	90	100				
Small Nut	1	5	80	100							
<b>PADRE</b>											
Pink Bud						70	90	90	100		
Full Bloom				1	50	100					
Small Nut	1	5	30	100							
<b>MISSION</b>											
Pink Bud						90		90	100		
Full Bloom				1	80	100					
Small Nut				40	90	100					

Source: Various University of California publications and research reports. Compiled by Robert L. Giedde Crop Production Consultant.

Freezing temperatures this past week will surely take a toll on the 2018 State Almond production.....

**Freeze Watch**

Report run on February 25, 2018 10:05AM

**February 20, 2018 - February 25, 2018**

Station	Hours below 32°F		Hours below 27°F	
	20-21	21-22	21-22	22-23
Firebaugh/Tellico (#7)	12		1	
Fresno State (#86)	18		2	
WSREC - Five Points (#2)	31		5	
WVD, Tranquility (#105)	30		4	

**Minimum temperatures**

Date	Firebaugh/Tellico (#7)	Fresno State (#86)	WSREC - Five Points (#2)	WVD, Tranquility (#105)
February 20, 2018	26.6	26.1	27.0	25.7
February 21, 2018	30.0	28.2	26.2	28.8
February 22, 2018	31.7	32.8	28.6	25.5
February 23, 2018	32.0	33.2	29.2	27.8
February 24, 2018	27.8	29.1	24.6	24.6
February 25, 2018	34.0	31.1	34.4	33.4



Icicles hanging from trees are of course the result of irrigation being *intentionally* turned on during the cold weather event to keep overall temperatures in the orchard warmer by a few degrees. But the pictures are most often sent without that critical piece of information, maybe because without that critical piece of information, the photos look scarier and prices move up faster. Or maybe not.

Those almond blooms with icicles hanging off them look admittedly cool....but as cool as my backyard on February 20th? <sup>2</sup>



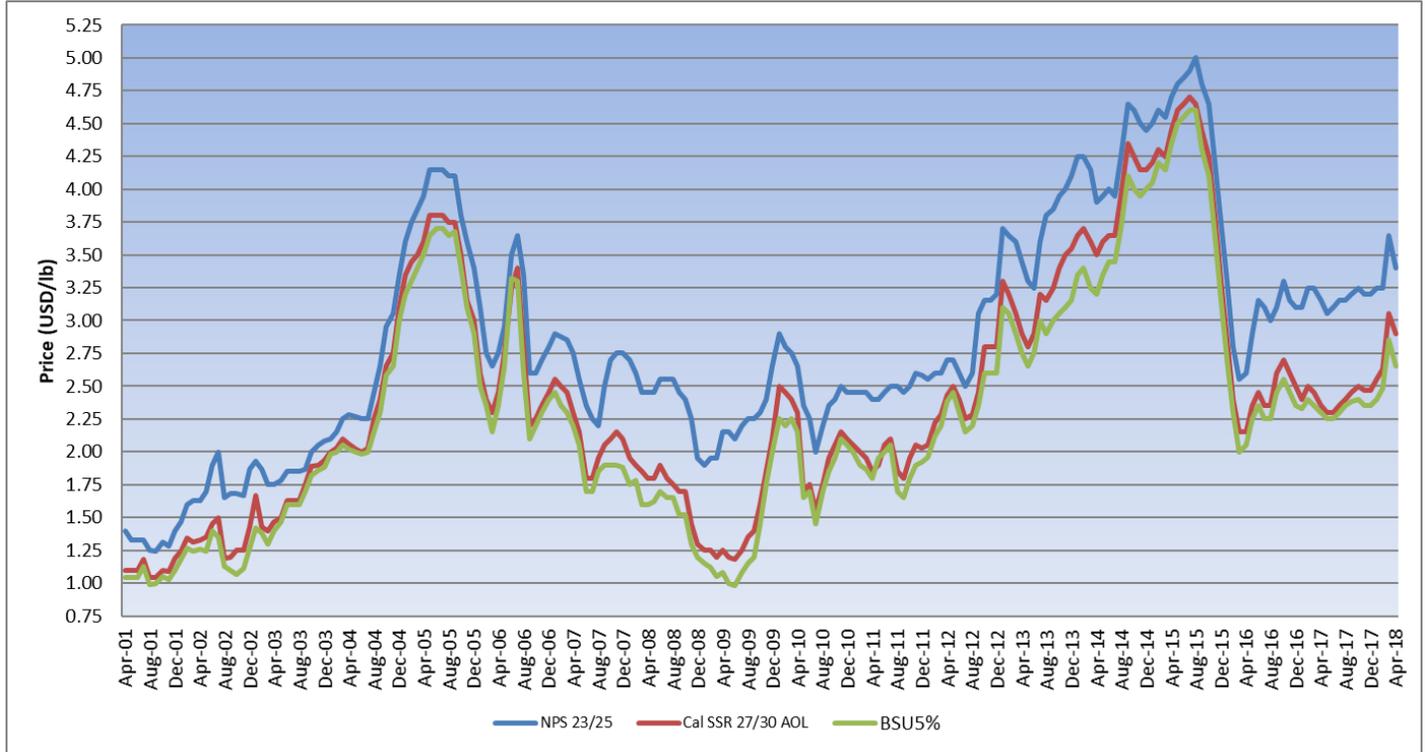
Now, a story. In the old country, a father took his son to be an apprentice with a local master craftsman. Upon receiving the boy, the master craftsman gave him a big clay jug to take down to the well, fill with water, and bring back. Then he proceeded to violently slap the young boy across the face. The horrified father asked: "Why did you slap my son?" The master craftsman replied: "There would have been no value in slapping him *after* he broke the jug."

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<sup>2</sup>Ok, there was no real bison in my backyard...it was just a few penguins, but penguins, as cute as they admittedly are, just don't convey how cold it actually was in Fresno in the same manner as a snow-covered bison sitting next to a frozen stream, right? Well, hopefully we've conveyed the gist of the message. The next time there is a cataclysmic frost event, where the equivalent of 200,000 acres of almonds are said to be decimated, take a deep breath and have some roasted/salted almonds with a nice Clase Azul Reposado. Wait for the TNT report – it comes out every April. Resist the urge to become yet another TMZ-alarmist for the almond industry. And, note to self, remember that scaring the living shit out of buyers around the world with a dramatic diatribe that includes words like "biblical," "epic," "critical bloom stage," "unprecedented,".... then ending with 'but it's still too early to tell' is still utter bullshit. It's like yelling "**FIRE, FIRE!!**" in a crowded theater, and then whispering "*or maybe not.*" Damage done.

You either understand why we are mentioning this story here, under the talk of “frost,” or you do not. As another old country saying goes: “To the person who understands, the buzz of a bee is enough. To the person who does not understand, the entire brass band of the Ottoman Empire is not enough.”

### HISTORIC ALMOND PRICES



### USA

“The national budget must be balanced. The public debt must be reduced; the arrogance of the authorities must be moderated and controlled. Payments to foreign governments must be reduced, if the nation doesn't want to go bankrupt. People must again learn to work, instead of living on public assistance.”

Cicero (106 BC - 43 BC), [55 BC](#)

Stormy Daniels and Karen McDougal walk into a bar where Devin Nunes and Jeff Sessions are waiting to discuss the TNT almond report with them. Just kidding. To the best of our knowledge, none of those four are on the original distribution list.

Domestic shipments are 63.2 million pounds, a new record. Five of the first eight months of the season have been new records. Season to date (August 2017 – March 2018), the US market has taken 472.9 million pounds. Clearly, the domestic market is on pace to have a strong year. Prices are reasonable, almonds are a good value, Americans are trying to increasingly eat healthy, and snacking should skyrocket this year. After all, nothing is more enjoyable than sitting on your couch, having a nice Casa Dragonos with some nuts, and watching the news. What better venue to explain to your 10-year old daughter what the words ‘famous porn star’ mean? How can America be great again if Americans aren’t eating healthy almonds while teaching their

kids about the hypocrisy of evangelical voters and the economic benefits of having over-sized breast implants? If that's not general education, we don't know what is! Throw in the new tariff imposed by China on tree nuts and Americans are going to have to eat a lot more almonds for prices to stay stable. *Yes we can!!!???*

**CHINA / HONG KONG / VIETNAM / [insert new 'grey channel' candidate country here...Bueller....anyone?]**

"What I dream of is an art of balance." Henri Matisse (1869 - 1954)

There have been a lot of e-mails going around discussing China's retaliatory tariff increases on US agricultural products, among which all the tree nuts that we care about are included. As everyone knows by now, almonds are up from 10% to 25%. And don't forget the 11% VAT (10% as of May). So what does this mean?

First, shipments to mainland China will decrease. These tariffs are hitting just as California was gaining some momentum and seeing more and more shipments go directly to Chinese mainland ports and get imported officially. This will kill that momentum. The hardest hit companies will be those dealing with E-Commerce. As we mentioned in July, E-Commerce has been taking an increasing market share of the tree nut business in China. This channel has become dominant, with some estimates indicating that E-Commerce accounts for about 40% of all tree nut sales in the country. Remember that the ultimate goal of these companies is to go public and for the founders to cash out. In order to do this, they need a paper trail showing that the products they are selling online were imported into China legitimately, all taxes paid. Of course, the preference is for original documents and not Photoshopped ones. The reality is that not many companies will be able to absorb a 15% increase in their raw material input costs, and few will try to pass on this expense to the consumer. So the Photoshop alternative will start looking more appealing. And no one does Photoshop better than Hong Kong. After all, traders there have been shipping California almonds from Hong Kong to India, meeting all of the phytosanitary requirements for India without any of those onerous, actual fumigation hassles California packers have to endure. You say 'fumigation chamber' and they say 'suite at the Peninsula.' You say 'Phostoxin' or 'Methyl Bromide' and they say 'more strawberries and champagne.' It's not magic, it's Adobe!

Second, the quasi-legitimate factories in Guanxi province (in the southwest of China, bordering Vietnam) will either benefit greatly or suffer greatly.<sup>3</sup> We're not going to get into a border-trade tutorial here. OK, we are. Suffice it to say that there is a border-trade facility between Vietnam and China where goods produced within the region can cross the Vietnam-China border, duty free, provided that the trade is taking place between residents who live within a certain distance of the border (there is also a per person daily monetary value limit). This has been going on for thousands of years. Everyone knows about it. The legality is intentionally left ambiguous by Chinese leadership. The Guanxi provincial government has maintained that it's legal. Subsequently, traditional Guangdong tree nut processors have been setting up factories in Guanxi for the past couple of years with the blessing of the local government, which is desperate to bring economic activity to a poor province. Beijing has not commented, though a few days ago (and in retaliation to US tariffs), Nanning (capital of Guanxi) customs sent out 'import' guidelines, requiring stricter country of origin certification prior

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<sup>3</sup> Irrelevant aside: If you haven't eaten sugar cane in [Dongxing](#), cut up with the same unwashed knife that was just used to carve up raw chickens; and if you haven't subsequently experienced the simultaneous thrill of violent vomiting *and* diarrhea at the outdoor toilet in Heshan port, where there is of course no toilet paper (or seat), then you have not lived, my friend. The Most Interesting Man in the World can drink his Dos Equis. Real Men eat sugar cane in Dongxing. (Too late, I've already reserved the T-shirt rights.)

to entry into China from Vietnam. This has essentially resulted in a shutting down of the Vietnam-Guanxi import channel. The question now is whether or not it will stay shut. The financial costs for both Guanxi and for the industry are high.

Third, and directly related to the point above, shipments to Hong Kong and/or Haiphong *could* increase. This will depend on which channel the Chinese ultimately crack down harder. In the short term, the trade has shifted from Guangxi to Yunnan – but don't be fooled - Beijing knows absolutely everything. If Beijing decides to play hardball, and eradicates the grey channel entirely, it will leave only 3 options: full smuggling (not to be confused with 'Budgie Smugglers'), official importing, or no business. We have already opened an account in the Cayman Islands and hired a good Argentinean plastic surgeon.<sup>4</sup>

Aside: Remember that when you're not paying duties in the first place, duty rates don't matter, as long as there is a way in. Haiphong is an NOC (No Objection Certificate) port. For those who have shipped to India and were in business in 2015, no more needs to be said. For all others, this basically means that if you ship to a consignee who then defaults, you need his/her permission to get your goods back/resell your goods. It's legislated insanity, but several important ports around the world still operate under such guidelines. If you ship to Haiphong, may the force be with you. If you ship to Haiphong and release documents to your client (or to his forwarder), it was good knowing you.

Fourth, Australia will be the beneficiary of these increased tariffs imposed on US tree nuts. Chinese don't particularly care for Australian almonds, but it's amazing how a big enough price disparity renders a product more attractive. It's the commercial equivalent to my college dating strategy: "The more you drink, the more handsome I [hopefully] become." Chinese importers will pay no duties on Australian almonds starting in 2019. If Australia can supply reasonably low serious damage product and control moisture, Australian almonds are going to look much more beautiful than in the past and gain market share at the expense of California almonds. This is fantastically annoying to California, because if you look up "Free Rider" in the dictionary, you will see a group photo of the Australian almond industry mooning California. Minimal (or no) investment for maximum returns. Annoying, but smart. Harvard University is jumping on the Australian almond bandwagon too, developing 1,480 acres of almond orchards in New South Wales. This is in addition to 1,235 almond acres already in the ground.<sup>5</sup> But this is the Harvard Endowment, and if the success of its recent investments is any indication of future performance, you should be *selling* almond orchards in Australia!<sup>6</sup>

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<sup>4</sup> I'm just kidding....I can't disappear because I have two kids and a wife that I can't take with me, though I would guess leaving them behind is a possibility depending on how much cash was at stake. Of course, you can't buy love, but you can sure look for it in comfort. So in case I'm not kidding and I go through with it, you can look for a more square-jawed, six-pack-abbed version of me (with a full head of thick, just-a-bit-too-long, curly hair....you know, that Italian style that looks studiously disheveled), sitting in a café in the Recoleta barrio of Buenos Aires, wearing red pants and a pistachio colored linen shirt, sipping a strong café doble, and watching a sultry tango. But alas, as fleeing from California is likely not a viable option, I'm getting my own industry 'Mea culpa, Emere Volo Item Ex Te' circular ready. If I have half as much success in relying on the 'forgetfulness' and 'empathy' of almond and walnut suppliers as our friends in Orange County did, it would have been a great business decision. After all, whoever said 'not paying your bills doesn't pay' doesn't know the tree nut industry of California.

<sup>5</sup> Harvard's Nutty Idea: Cracking Into the Almond Market; WSJ; March 18, 2018; Lucy Craymer

<sup>6</sup> Harvard's Endowment Returns, Explained; The Harvard Crimson; September 22, 2017; Brandon J. Dixon

Bottom line is that trade wars are never good for trading companies. But as America is becoming great again, who am I, as a Lebanese immigrant and naturalized US citizen, to complain? I'm just lucky that, being from the Near East, I can stay in this country and have the privilege to continue to pay personal and corporate taxes. It's a price I'm happy to pay to be a resident of the most exceptional country in the world, which will soon be home to the most exceptional wall in the world that even the Chinese, with their own little wall, will envy.<sup>7</sup>

## INDIA

"Our natures are, indeed, elusively insubstantial—notoriously less stable and less inherent than the nature of other things. And insofar as this is the case, sincerity itself is bullshit." Harry G. Frankfurt

March 2018 shipments to India: 281 loads of inshell; 14 loads of kernels. Last March was 400 loads of inshell. Season to date Indian imports are still running about 20% ahead of last year, but we expect demand to pick up soon. Our money is that there will be lots of buying this coming Wednesday, April 18<sup>th</sup>. It goes without saying that this is Akshaya Tritiya, the third day of the bright half of Vaishakh. As anyone with even the slightest modicum of general knowledge knows, this is considered one of the most sacred days to start anything auspicious. And nothing celebrates auspiciousness better than buying inshell Nonpareil almonds from Derco. Tell a friend.

For those of you who have read our reports in the past, you know that we have a special connection to India. We now have two offices there, because one simply wasn't enough to adequately absorb the wonderful chaotic opportunities (or distractions) that the sub-continent offers. India is the country equivalent of the slightly off-kilter uncle you genuinely love. He comes over for Christmas, already half-inebriated on expensive scotch and with a new girlfriend half his age in tow. He masterfully straddles that elegant line of being neither fully appropriate nor fully inappropriate. Irrespective of the side to which he gravitates on that particular evening, you can't wait for him to crack his jokes at the dinner table. He gives you a big hug and kiss, makes everyone laugh, brings good gifts, plays lovingly with the kids, smokes a big and juicy after-dinner Cuban (cigar please, keep it clean), drinks a few too many Grand Marniers and eventually goes home. He leaves you with a smile on your face and with that feeling of not being exactly sure what just happened, but certain that you want it to happen again. Once you've been to India, you can't stay away...and you're not exactly sure why. Maybe it's the 1.2% meat yield shortage claims lodged with scientific precision? Who knows.

If you like boring and predictable, India is not for you. India is a country that notarizes a document first and worries about getting the signatures (which were the reason for the notarization in the first place) later. But it won't authenticate a signature that does not bear a company stamp, in an era where no one has a company stamp anymore. Not sure why this makes me think of European companies in predominantly atheistic countries whose offices are closed for Pentacost. Anyway, trust us, we just went through that process. But now, India is going electronic, and the fun is just beginning.

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<sup>7</sup> In the extremely unlikely event that you are wondering why we wrote 'Near East' and not 'Middle East,' read [Skin In The Game](#) by Nassim Nicholas Taleb. Even if you're not wondering, read it. It's a great book. And while you're at it, read [Sapiens](#) and [Homo Deus](#), both by Yuval Noah Harari. They are masterpieces in terms of content, relevance, organization, clarity of thought and precision of expression.

### No More LoUs

In March, the RBI (Reserve Bank of India) decided to ban Letters of Undertaking (LoU) as a trade finance instrument. LoUs are bank guarantees that allow customers to get short term credits from another Indian bank's foreign branch. LoUs had been liberally issued instead of letters of credits (LCs) because it helped banks earn a fee without actually doing anything – fiscal responsibility be damned.<sup>8</sup> This ban was imposed primarily in response to the fabulous \$2 billion scam pulled by Nirav Modi, the billionaire diamond jeweler, on the Punjab National Bank.<sup>9</sup> This guy wasn't quite in Bernie Madoff's league, but still made Indian white-collar criminals proud. We know it's wrong, especially as we've been the victim of white collar crime by our friend Atif Ibrahim who is now laughing his ass off at us from his mansion in Pakistan (oxymoron?), but there is something intriguing, in a James Bond-esque way, about white collar crime on this scale, wouldn't you agree?

This LoU ban will impact overseas branches of Indian banks more than the domestic side, but the concern with domestic liquidity was still big enough that a few tree nut importers started to look into the option of financing their purchases through usance (time) LCs. Credit will be harder for Indian importers to get and this could force them to (using another old country saying) "keep their feet inside their blanket" or, in less fanciful jargon, not over-extend themselves by buying more almonds than they can afford to finance. If this works, the Indian market may actually trade at parity or even above California, which would make the almond business profitable. A crazy thought.

Blockchain Aside: The US company MonetaGo has developed a solution which would prevent the occurrence of a Nirav Modi *Part Deux*. MonetaGo is using the Hyperledger Fabric blockchain framework (I have been dying to string these words together to form a seemingly coherent sentence for ages) to confidentially identify when an invoice has been factored on a competitor's exchange, so that it cannot be factored again (duplicated). Basically, this solution allows private companies to exchange information about invoices uploaded to their marketplaces in order to ensure that the invoices are not financed multiple times. The companies involved are RXIL, ATReDS and MYND Solutions. Each of these companies are licensed to work on the RBI-sponsored Trade Receivable e-Discounting System (TReDS), a digital platform that allows SMEs to auction their trade receivables from corporate customers. TReDS was created 2017, when the RBI was looking for ways to provide small companies with more financing options. TReDS connects banks and factoring houses with companies who can upload their invoices to the platform. Financial institutions participating include the State Bank of India, Union Bank, IDBI, Dena Bank and OBC.<sup>10</sup> If none of this makes sense, just pretend it does and keep reading. Just know that whether you like it or not, and whether you understand it or not, blockchain and Wyatt Earp (aka Kurt Russell) are both coming.<sup>11</sup>

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<sup>8</sup> RBI LoU ban will lead to realignment of banks' overseas business; The Economic Times; March 14, 2018; Joel Rebello

<sup>9</sup> Billionaire Jeweler Accused of India's Biggest Ever Banking Scam; Forbes; February 22, 2018; Leeza Mangaldas

<sup>10</sup> Blockchain solution to prevent trade finance fraud goes live in India; Global Trade Review (GTR); March 2018; Finbarr Bermingham.

<sup>11</sup> Best Line from Tombstone (volume)

### E-Way Bill

GST growing pains are ongoing as the Indian government continues to work to eliminate corruption, tax-evasion, black money and bureaucracy in its quest for 'one nation, one market, one tax.' Towards this end, and in an attempt to minimize the hassle in crossing state borders (by reducing the time needed to validate forms and eliminating the discrepancy between states in the various forms, permits and waybills required), the Indian government introduced eWay Bills as of April 1, 2018. These electronic way bills are now required for the interstate movement of goods with a value of over Rs 50,000 (about \$770). The requirement of eWay Bills for intrastate movement is starting April 15, 2018 – and is expected to be rolled out in phases, within Indian states grouped into four lots. Experts in India have noted that because the vast majority of tree nuts are sold outside of Delhi, the long-term benefits of morphing from a cash-based to a banking/electronic-based system will outweigh the short-term pains. Essentially, it's going to be much more difficult to manipulate invoice amounts and avoid taxation once this system is fully implemented. For more questions on this scintillating topic, please ask someone else. This is all we know. But we are confident that with these kinds of amazing advancements, finding the right-sized plastic plates in an Indian store on which to place the rat poison for our Delhi office in Khari Baoli cannot be far behind.

### **MIDDLE EAST & NORTH AFRICA**

"One man's pornography is another man's theology." Clive Barker

Shipments to the Middle East have been mixed this season, but considering the ongoing lamentable situation of the region, they have been surprisingly resilient. The UAE leads the region with 52 million pounds shipped season to date, up 8%. Turkey is at nearly 43 million pounds, up 5%. Saudi Arabia at 11.7 million pounds is down 25%. Lebanon has seen a resurgence at 5.3 million pounds, up 41%. Israel is down 4%, to 6.9 million pounds. Overall, shipments are up 3%. North Africa has seen more violent swings. Season to date Algeria is down 58%, Egypt is down 10%, while Libya and Morocco are up 48% and 250% respectively. Bravo Morocco.

The Iranian rial is at an all-time low against the USD. It has lost nearly a third of its value in the past 6 months, with a big depreciation over the past few days. Many Iranians fear that the appointment of John Bolton (not to be mistaken with Michael Bolton, whose massively under-appreciated rendition of [When I'm Back On My Feet Again](#) is second only to mine performed in the shower) as the new National Security Advisor has made it more likely that the US will pull out of the nuclear deal. Consequently, they are rushing to buy US dollars. If this trend continues, high inflation is inevitable. For those wondering why a discussion of Iran's currency is relevant in an almond report, it's because Iran is an incredibly important consumer of tree nuts in the Middle East. Iran doesn't buy direct, but it buys...and if Iran's not buying, then you can rest assured that Dubai and the rest of the region will be buying much less, too. The fingers of international trade are long, intertwined and amorphous. Seemingly unrelated factors impact each other with surprising reach and immediacy. It's complicated. And as Scott Adams of [Dilbert](#) fame has concisely noted: "Frankly, I'm suspicious of anyone who has a strong opinion on a complicated issue."

Here we just have to take a not-so-short detour. Sorry. Sadly, in recent decades, thoughts of the Middle East do not conjure many warm and fuzzy images. When we write 'Saudi Arabia' we're confident that your mind does not wander off to 'Monchichi' dolls. But there was a time when the Middle East (admittedly before Saudi

Arabia existed) was more enlightened and liberal than Europe. That time passed. Now, it has become an area full of dichotomies. Unrivaled generosity, warmth, kindness and laughter, coupled with equally unrivaled violence, intolerance, fanaticism and misogyny. A place where a host will receive you in his home like you are royalty and serve you the best food and drink that he can muster, and a place where the mayor of Tehran, a graduate of the Massachusetts Institute of Technology (MIT) has to resign because he watched a dance recital with young girls dressed in traditional garb throwing flowers on stage. Yes, he had to resign because dancing in public for women is officially banned in Iran.<sup>12</sup>

This is a region where a Syrian will risk bombs falling out of the sky to keep his baklava shop open for the neighborhood, while another Syrian is killing children with biological weapons. A place where a man in his eighties will stand up to ISIS thugs who are about to desecrate ancient archeological relics and get beheaded for his efforts. A place where a crown prince can lock up (in a Ritz-Carlton) 11 fellow princes and countless ministers (including the richest man in the region) and simultaneously be welcomed to the US with open arms, praised for letting women drive and his subjects go to the movies. Vanguard. A place where the invisible, mythical and supernatural is praised beyond words and where the physical, tangible, and sentient is regarded with disdain. A place that intrinsically understands (and resents the fact) that it has not made any meaningful contributions to global advancement for centuries, not because it does not have bright and capable people – it has tons; but because it has become enslaved by the radical arms of the mythology it has fanatically embraced.

Just think of what a terrific place the Mid East could be if you took the generosity, the food, the exotic people and the palm trees, got rid of the guilt and fantasy....and threw in some Bonobo-style dispute resolution techniques into the mix.<sup>13</sup> Then we could focus on selling tree nuts and not worry about which Sunni country is blacklisting which Shiite country; which Shiite country wants to bomb Israel out of existence; which Yazidi sect is being annihilated; which Kurdish population is being persecuted; which Turkish region is being subjected to terrorism; why some Libyans are becoming slave traders; and why people still care about the Kardashians. And most importantly, once the Middle East problem is solved, we will finally be able to focus on building the wall to keep Mexicans out of the US. Middle-class white teenagers will finally get those farm worker, dish-washing and gardener jobs for which they've been hankering all these years.

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<sup>12</sup> I don't want a fatwa issued against my family (all references to fatwas are in the loose 'Ruhollah Khomeini sentencing Salman Rushdie to death' sense of the word; trust us, we know what fatwas in general are), so I'm not going to comment further. But as the father of two daughters and a believer in science and gender equality, the day I read this article, I wanted to scream. I am unapologetically intolerant of intolerance. Read the full, cringeworthy article here: [I Wish That This Article Was A Joke, But It Is Not](#)

<sup>13</sup> Bonobos, endangered great apes, are lovers, not fighters. This link depicts these Bonobos engaging in enviable dispute resolution techniques. [Bonobo Dispute Resolution Tutorial](#) (volume). We are including this extended video to give you a much-needed break from reading this endless, bloviating almond report. If you object to watching videos of Bonobos resolving disputes, don't worry, because likely the country in which you would be watching the video has probably banned YouTube anyway. No harm, no foul. Let it be crystal clear that we are not comparing any Homo sapiens on planet earth to Bonobos (again, no fatwas please). Bonobos are far more advanced than all sapiens (no fatwas, please). What we are saying is that, in our humble opinion, it's better to engage in Bonobo-style dispute resolution, than to drill holes in each other's skulls because we follow different sects of the same religion. Did you really expect better from a report written in a state that allows the recreational use of marijuana?

## EUROPE

“Every time Europe looks across the Atlantic to see the American eagle, it observes only the rear end of an ostrich.” Ambrose Bierce (1842 - 1914)

With the exception of Romania (-37%), the rest of Europe has been having a great season. Sadly, this poor showing on the almond shipment report is nothing new for Romania. It’s been all downhill for Romania over the past few decades. The two last meaningful news reports dealing with Romania were 42 and 29 years ago, respectively: Nadia Comăneci receiving the first-ever ‘perfect 10’ in the 1976 Montreal Olympics (not to be confused with Bo Derek’s perfect ‘10’ in 1979; I still have that [poster](#) which you, too, can get for only \$37.99 - what immaculate jogging form) and Nicolae Ceaușescu being deposed in 1989. Oh, and Dracula.

Seriously, every country in Europe, other than Romania, is up this season. Western Europe is up 13%; Eastern Europe is up 58%. Russia is up 17%. Russia? Anyway, thank you, Europe. You make boring exciting again. And speaking of boring, we almost forgot to put the finishing touches on this sleep-inducing, Ponniyin Selvan-length-challenging report, by nearly overlooking the PEC (Pre Export Check) program. The Almond Board of California (ABC) recently sent out a memorandum addressing the fact that there have been increased aflatoxin rapid alerts notifications in Europe. There were 2 each in 2015 and 2016, but 8 in 2017 and 3 so far this season. As a result, the ABC is taking steps effective immediately (April 13, 2018) ‘to mitigate the risk of increased controls in the EU.’ Among others, these include: tightening the PEC accept/reject criteria in the US to 5PPB total and initiating an audit of current handler sampling procedures. For more information, contact Julie Adams, the ABC’s Global Technical & Regulatory Affairs guru. Not to be mistaken for Sri Sri Ravishankar, also a guru, but not in the almond industry.

## CONCLUSION

“Freedom is just Chaos, with better lighting.” Alan Dean Foster

Despite all the challenges, it’s a good time to be a part of the almond industry. More global middle class, more discretionary money spent on non-essential, healthy foodstuffs, all leading clearly to more long term almond demand. There are few industries that are more insulated from the coming world of artificial intelligence and robots, than food production and consumption. No doubt we will continue to see a myriad of technological advancements in agriculture, including possible innovations like the Walmart bee drone.<sup>14</sup> More and more machines and robotics will come into production facilities. Transportation will also see greater automation and greater efficiencies. Change is inevitable. But until we reach the point where people are taking pills instead of eating meals to get their daily nutrition and satiety, the almond business is safe. And in this day and age, we can’t ask to be much safer than that.

Just look at what California has done so far in the 2017 season. Shipments are up nearly 12% compared to last year and another crop has been grown, processed, packed, and nearly all sold. The entire globe is responsible for this growth. The Americas (without the US) are up 12%; the US is up 12.6%; Asia-Pacific is up 17%; Europe is up 15%; even the trouble plagued Middle East/Africa region is up 2%.

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<sup>14</sup> [Walmart Wants to Patent Drone Bees](#); CBS News Moneywatch; March 16, 2018; Kate Gibson



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During the month of March, nearly 112 million pounds of new business was concluded: 43.3 million pounds of domestic and 68.5 million pounds of export. Uncommitted inventory is down 10% compared to last year, at 552 million pounds. We are now ensured of a carry out into the 2018 season of below 400 million pounds and likely below 350 million pounds. With seasonal serious damage greater than the 2% pre-season allotment, this could decrease further.

All of us in the almond industry hope for 'perfect' growing, marketing or purchasing conditions, based on our individual perspectives, priorities and interests. And of course, perfection never materializes. There is always going to be a frost, or a drought, or a political challenge, a devaluation, a war, a blight, a tariff, a Trump. The almond market will take the body blows and move forward. "Les chiens aboient, la caravane passe."

I'm sorry for this long report. Hope you didn't actually read it all and just skipped to here. Either way, the good news is that there won't be another one until at least August. Just enough time for you to forget this one and still read all of the next. Thanks for your sense of humor and for laughing with us.

"Better to write for yourself and have no public, than to write for the public and have no self." Cyril Connolly (1903 - 1974)

Best regards,  
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