

## **April 2010 Almond Position Report** **PLUS: ANNUAL BONUS INC BEIJING SECTION**

April 2010 shipments are 105.6 million pounds. This is down about 5.5% from the April 2009 shipments of 111.7 million pounds.

### **Analysis**

Carry-in from the 2008 crop year:	413 million pounds
2009 Crop Receipts:	1.40 billion pounds
<b>Less 3% loss / exempt:</b>	<b>(42 million pounds)</b>
Total available supply:	1.772 billion pounds
Less shipments to date:	1.169 billion pounds
Remaining supply:	602 million pounds

### **Shipments**

**Seller's Perspective:** For all the negative talk, this was still the second-best April ever.

**Buyer's Perspective:** Good job setting that "second-best April ever" mark. Is that what the marketing people call "positive spin?"

### **Domestic**

**Seller's Perspective:** A new domestic record at 37.27 million pounds, surpassing the record of 33 million pounds set in April 2008. Six of the nine months of this 2009-2010 season have set new domestic shipment records.

**Buyer's Perspective:** When things abroad start to sink, it's always good to know you can rely on your home market. Keep it up – you're going to need it. Would you like us to start the "U-S-A" chant for you or can you handle that on your own?

### **Export**

**Seller's Perspective:** Export shipments were down about 14% from last April, though this was the second-best April ever for almond exports. "Second-Best"... "Second-Best"... "Second-Best"...?

**Buyer's Perspective:** ??

### **2009 Almond Acreage & The Subjective Estimate**

The 2009 bearing acreage report was released by the USDA's National Agricultural Statistics Service (NASS) on April 30, 2010. According to NASS, we had 720,000 bearing acres in 2009. The preliminary estimate for the 2010 bearing acreage is 740,000 acres.

As far as the Subjective Estimate released on May 6<sup>th</sup>, 2010 – well, it's like your crazy relative. Admit it. You have one. We know you do. Everybody has one – at least one.<sup>1</sup> You have to invite him for dinner once in a while, because he's a relative. Same with our subjective estimate. How are you going to tell growers – who love being asked what they think about their crop – that there is going to be a more accurate and scientific measurement released just one month later and that there is not much point to this subjective estimate? Too

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<sup>1</sup> Some of our families are more privileged and have multiple insane (clinically or otherwise) people sharing in the same bloodline. Consequently, some people's family get-togethers make for good sitcom material. If only there was a decent writer somewhere who wasn't occupied writing about nuts....if only he could have a real career....if only.

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much trouble. You just go through the motions and smile. Forget the fact that it has the potential to wreck an already unstable market. Semantics. Pass the gravy.

Mr. Brian Ezell of Paramount Farms has done a great job analyzing the subjective/objective estimates in his March report. There is nothing substantive that I can add.<sup>2</sup>

Getting back to the Subjective Estimate – it was 1.53 billion pounds. This was based on 740,000 bearing acres. The growers who responded to this opinion survey represent about 28% of the bearing acreage in California. Assuming that the subjective estimate is accurate (let's give them the benefit of the doubt) – we are looking at the following supply scenario for the coming season which will begin on August 1, 2010:

<b>Carry-in from 2009 crop:</b>	275 million pounds
<b>2010 crop estimate:</b>	1.53 billion pounds
<b>Less 3% loss/exempt:</b>	46 million pounds
<b>Total available:</b>	1.759 billion pounds

Total availability for the 2009-2010 season was 1.772 billion pounds. So based on the Subjective Estimate, there will be the same amount of almonds to sell for the coming season (starting August 1, 2010) as there were in the past season.

We use 275 million pounds for the carry-out. We recognize that many are saying 200 – 220 million pounds. We think that the carry-out will be higher. Last summer the prices were still nearly \$1 per pound below where they are now (and all processors had a lot of everything to sell). No such shipment stimulus exists this year. Shipments will not suffer because of a lack of demand, but because of a lack of confidence. This is always the case. We fear that at times California almond processors are taking a page out of the Walnut processor's hand-book. If California sellers drop their pants...I mean their *prices*....the minute they see a number higher than 1.5 billion....it's hard to blame buyers for not having confidence. If I'm a buyer and I need to cover, and I look across the ocean and see the California Almond Handlers looking back at me (not to be confused with Sarah Palin looking at Russia), barely able to contain their knees from buckling....I wait. And wait they shall and book hand-to-mouth. Without a critical mass of buyers knocking on California's doors, the shipments will resume, but they will be in trickles, not floods.

### **India & The VAT**

Once upon a time, there was a 5% VAT in India on almonds. Then, a mean and irrational (and desperate for money) Delhi government increased the VAT to 12.5% overnight. There was much sadness and suffering (especially among the almond importing community which is based in Delhi). A group of heroes emerged and the wheels of Indian commercial creativity were put into motion. The goal: to creatively persuade the Indian government to revoke this increase. Things were said. Things were done. Rupees changed hands. The mission is on the verge of success....we are confident that soon all will be well in the Indian almond importing world.....except for that cursed rain damaged product from Australia!

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<sup>2</sup> If this seems like a blatant attempt to get into Paramount's good graces in hopes of securing some pistachio availabilities for the 2010 crop....it is. Get over it...where was I...Brian, did I tell you that not only are you a good writer with incisive analysis, but that you're also a handsome and powerful man as well? Would you pass on the same compliments to Mark?

### **Australian Crop**

Did you hear that there is rain damage to the Australian Nonpareil, Carmel and Price crop?<sup>3</sup> Dubai traders claim that shelled contracts are shipping as scheduled. Some Indian importers report that inshell quality is not acceptable and they do not want that product to ship. A stalemate may ensue. More heroes may be needed.....tune in next month.

### **Currency & Finance**

When words like “debt contagion fear” are prominently being circulated on television news reports, influential newspaper publications, and internet websites.....even if there wasn’t “debt contagion fear,” it certainly develops. So what is the outlook for the Euro? Back in January, the average was €1 = \$1.42. In April the USD-Euro average was \$1.34. So far in May it’s \$1.29.....

On Monday, May 10<sup>th</sup>, in order to contain this “debt contagion fear,” European officials approved a nearly \$1 trillion rescue package to be spent over 3 years. This package includes government-backed loans (\$570 billion), the expansion of a stabilization program (\$76 billion from the European Commission to this fund that is already in place), and at least \$284 billion funding from the IMF. The European Central Bank is going to buy government and corporate debt. Lastly, the US Federal Reserve is going to make more US Dollars available for inter-bank lending. Let it be known that here in the USA we sprinkle water liberally on our friends when they catch on fire (...especially when it’s the result of a fire we started). Europe – welcome to bailouts Obama-style!

“A billion here, a billion there – pretty soon it adds up to real money.” Senator Everett Dirksen (1896-1969).

### **Prices**

Are lower. That tends to happen when no one buys anything for 60 days and all the suppliers who need to generate cash moon<sup>4</sup> the rest of the industry by lowering their prices more than \$0.20 per pound overnight.

### **Conclusion**

Market will stay flat until demand comes back. How’s that for ground-breaking economic analysis? The Middle East will come back to market and buy a bit more for Ramadan (between now and mid-June), but it will not be a deluge of buying. We do not expect China to come back until July. European coverage for June forward is still questioned by many industry experts, but inventories in Europe, as well as second hand unshipped positions, are likely to keep prices sluggish.

This could very well be a good buying opportunity for some – especially if they can get mid/late summer and new crop offers at the attractive prices being circulated now. Demand is not going to disappear. The global economic climate in 2008 was much worse than anything we are likely to see again in the coming season (despite the recently well-documented problems in Greece, Ireland, Spain, Portugal, etc.).

We will very likely ship 1.5 billion pounds next season, in a supply environment that is very similar to what we saw this season. Consequently, we don’t see a likelihood of much further price declines. At some point, even the most jittery of growers is going to look at the remaining inventory and the projected supply scenario for the 2010 crop, and just withdraw from the market. The minute enough serious people do that, this price correction will come to an end. Most buyers will jump to book at current prices if they believe in some stability. They

<sup>3</sup> Note the seamless transition from the last paragraph...

<sup>4</sup> For those of you who do not have a command of American slang, this “moon” is not referring to a celestial body, but to another part of the human anatomy that bears a resemblance to the aforementioned celestial body. At times, and often by drunk people of either gender (though, more often than not, by males), it is bared as a sign of either humor, insult or comical disrespect.

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were happy to book BSU5% at \$2.35 per pound.....there's nothing wrong with \$1.85 per pound. The corrections are always too big – both on the up and down sides.

Lastly, for those of you flying to the INC in Beijing....we wish you safe travels. And in honor of the amazing country and splendid culture you are about to witness, remember: "It does not matter how slowly you go so long as you do not stop." Confucius.

Enjoy the top 10..... we fully recognize that we have a glass house like everyone else, so we throw most of our pebbles very gently and in good fun.

Best regards,  
**DERCO FOODS**

**Back yet again by no demand whatsoever.....**

**Top Ten Things That Will be Overheard at the INC in Beijing**

10. Ni hao. Welcome to Epcot Center China...I mean....to the INC in Beijing. Your passport please?<sup>5</sup>
9. At the hotel reception desk: "Duibuqi Xiansheng...I am sorry Mr. Theodoropoulos, but you must prepay your hotel bill. We are not Derco Foods...we actually expect payment for services rendered."
8. Is that Kenny G playing...everywhere we go?<sup>6</sup>
7. Remember when hazelnuts were the only reason the Turkish delegation came to the INC? That was before the money laundering....I mean **inshell walnut** business became important.
6. El-Salam Aleikom. This is Egypt Health Authority. We are rejecting your cargoes [insert any inshell nut here]. We do not have any valid reason for the rejection, but here is a nice paper with lots of Arabic writing and an official stamp.
5. Has anyone else heard that the Greek delegation is trying to pay for their hotel rooms in Drachmas?
4. Hong Kong trader here - have offices [select from: (a) on Connaught Road, (b) on Des Voeux Road, (c) in any building whose name ends in "Centre"]. There is a very nice computer and fax machine in my office. You can trust me and give me credit to be sure. And not to worry, I can Photoshop any documents you need for re-export from Hong Kong. Frankly speaking, it's no problem.
3. Derco is not attending? Their business in China must not be that good.
2. I am Joyful Beneficial Health & Industriousness Company from China. I operate very big and profitable business dealing with nuts, beans, fresh fruits, toothpaste and automobile parts. Sorrily, I cannot actually show you my factory at this moment - it is being fumigated now.<sup>7</sup> But here is my name card with very nice ISO and HACCP logos. I can put any number ISO certification that you want on there if the one I have now is not the right one. Working with us gives you a feeling of serenity and metropolis. We look forward to fruitful mutual corporation.
1. He zhexie waiguoren zai yiqi gongzuo hen kaixin.<sup>8</sup>

<sup>5</sup> For those of you who have never been to China before, this last sentence will take on new meaning after you walk into your first hotel and are greeted by the 15 eager young ladies at the reception.

<sup>6</sup> The Chinese love Kenny G, and they adore his rendition of "My Heart Will Go On (Love Theme From Titanic)." If you want to replicate what your guaranteed breakfast experience will sound like before you even board the plane to Beijing, click here: [I Love Kenny G](#) This song is looped endlessly in every major restaurant and hotel in China. At first you innocently listen. By your third day it becomes a bit funny..but by the fifth day you start looking for a cold and deep body of water in which to drown Leonardo Di Caprio and Kate Winslet yourself.

<sup>7</sup> It will be under fumigation on any date that you want to see it.

<sup>8</sup> "Working with these foreigners is going to be lots of fun."