

### **April 2013 Almond Position Report**

#### **Bonus INC Section Inside**

April 2013 shipments are 129.5 million pounds. This is down 12.8% from the April 2012 shipments of 148.5 million pounds.

### **Analysis of the 2012 Almond Season**

Carry-in from the 2011 crop:	335 million pounds
2012 projected crop receipts:	1.88 billion pounds
Less 3% loss / exempt:	56 million pounds
Less Shipments to date:	1.446 billion pounds
Less commitments to date:	359 million pounds
Remaining unsold supply:	353 million pounds

### **Shipments & Receipts**

Seller's Perspective: It is now clear that receipts will not make 1.9 billion pounds.

Buyer's Perspective: Well done. Focus on the positive. Best to ignore the shipment numbers.

### **Committed Inventory**

Seller's Perspective: The committed inventory figures look good – with domestic commitments up nearly 10% and export commitments down just over 9%. Overall, committed shipments are less than 1% lower than last season at this same time and the uncommitted inventory is about the same, at 353 million pounds.

Buyer's Perspective: Looks good, but last year with approximately the same numbers, the carry-out at the end of the season was still 335 million pounds. Doesn't this seem to indicate that a good percentage of these commitments are unlikely to ship by July 31, in the 2012 season? They may make your numbers look healthy now, but if they go out after August 1, they don't help your shipments for the season. Despite the shorter than expected 2012 crop, the carry-out into the 2013 season will be well over 300 million pounds. To quote one of your Country & Western singers, George Strait: "Write This Down."<sup>1</sup>

### **Domestic Shipments**

Seller's Perspective: Another stellar performance. Big new record (up 13%) at 51 million pounds.

Buyer's Perspective: If not for the domestic market carrying you these past few months (and likely for the rest of this season), you guys would be in big trouble. You're lucky to have the US market. No doubt about it.

### **Export Shipments**

Seller's Perspective: The economic and political challenges of the past several months are taking their toll on export markets. Though we are very bullish for the long-term, we admit that current demand is not as strong as we would like. We are confident that it will change soon. We have the financial strength to be patient. We,

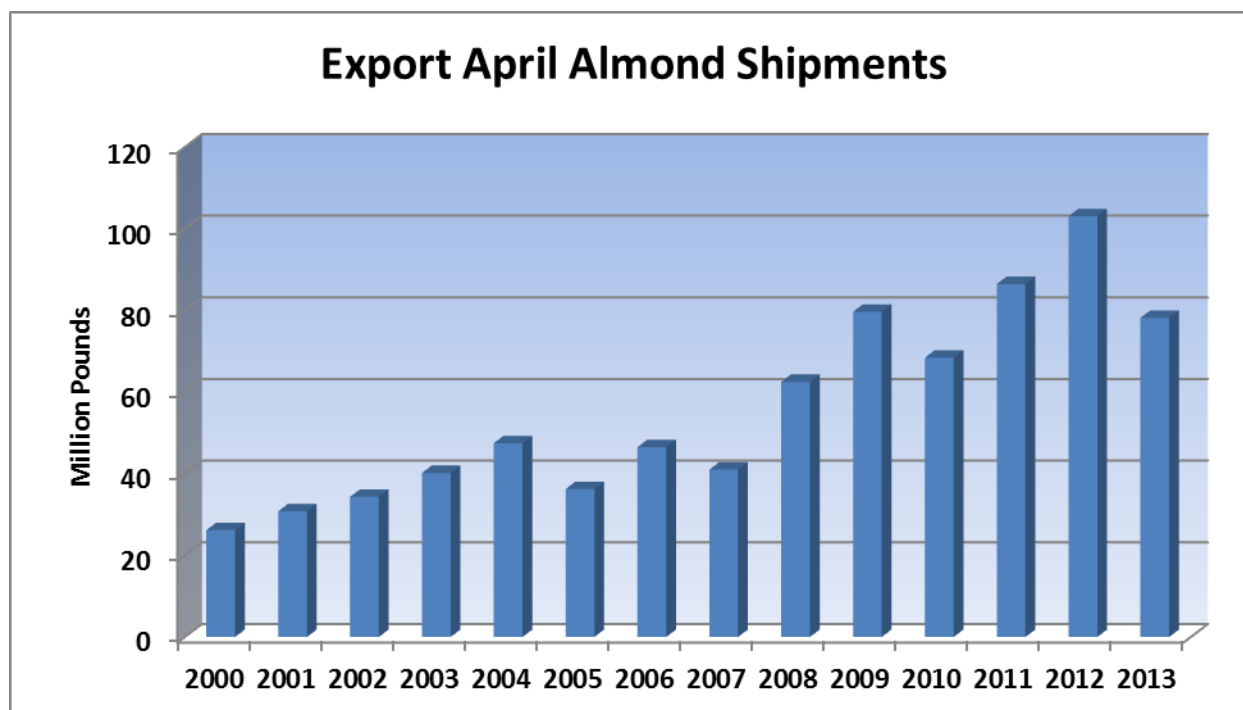
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<sup>1</sup> [Write This Down](#) ; Always Never the Same (1999) (I must admit that I love this song.)

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as California suppliers, need to learn to market our crops over 18 - 24 month periods. This will bring more stability to the market.

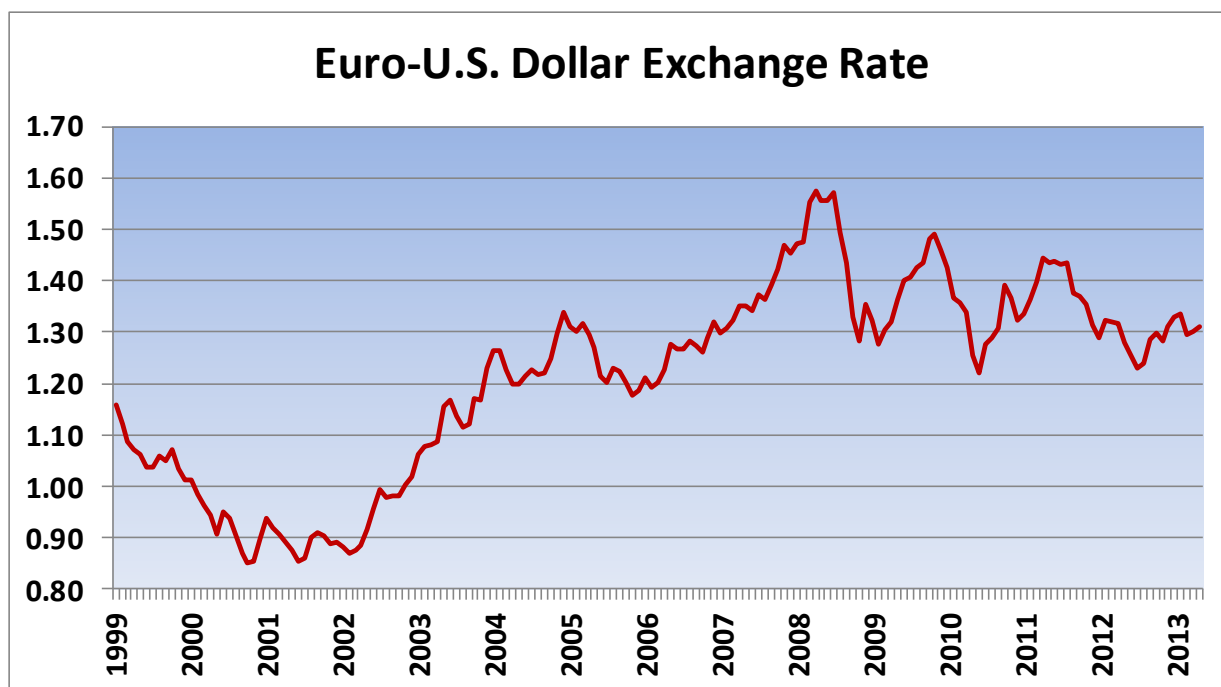
**Buyer's Perspective:** This is the 4th highest April export total....when was the last time you used "4th highest" when referring to an export shipment month? It was indeed a long time ago. We remind you again of the fact that you raised prices by \$0.50 per pound in about 3 weeks back in January and early February. So now you have every region in the world outside of the Americas (and this includes your beloved China) down for the 2012 season compared to the 2011 season: Asia-Pacific down 2%; Europe down 4%; Middle East down 28%. Overall exports for the season are down 7%.



### Currency

The Euro has been in a relatively tight trading range since September 2012 (9 months), with a monthly low of €1 = \$1.282 (November 2012) and a monthly high of €1 = \$1.335 (February 2013). You will note that this month we have a lot of charts. Below is another relatively useless, backward-looking Euro-USD exchange rate chart. So many other reports put out this information, that we started to feel inferior. But with export sales so slow, we have some traders here who have nothing to do. So we thought that this would be a good time to let them work on their graph-making skills. Well now you have yet another place to get this information. And to quote a favorite disclaimer of ours: "Past performance is not necessarily indicative of future results. All investments carry risk and all trading decisions of an individual remain the responsibility of that individual. There is no guarantee that systems, indicators, or trading signals will result in profits or that they will not result in losses. All investors are advised to fully understand all risks associated with any kind of trading or investing they choose to do." There you have it.

Upside for you: in case you are reading this report in a public place, you can just fold it and keep it open to this page. It will make the person sitting next to you think that you are in some kind of well-paying financial sector job. The chart may not help you, but maybe the image will. Good luck.

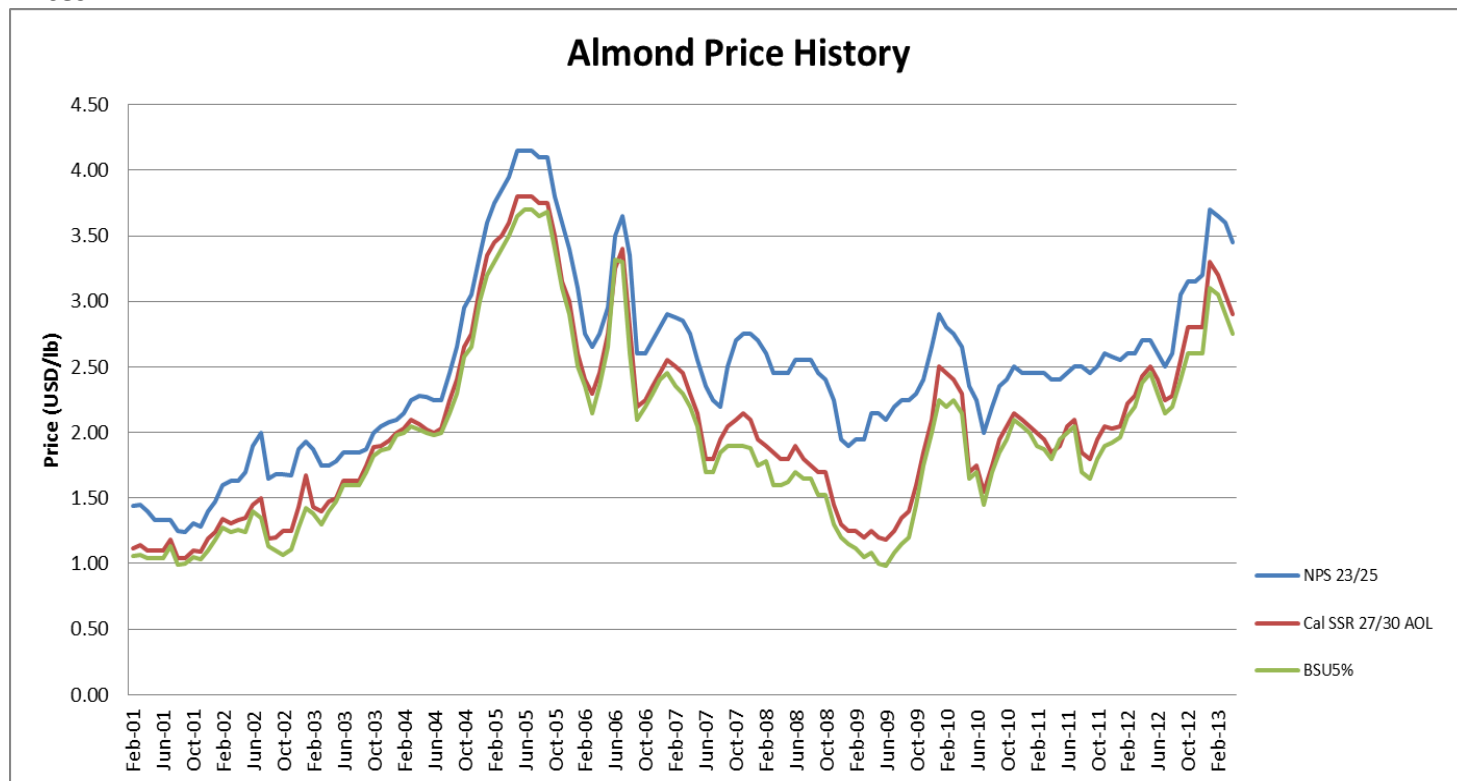


## Bees

We have made jokes about the bee situation in the past, but this issue of Colony Collapse Disorder (CCD) is a serious topic and becoming more serious with every passing season. In 1947 there were 6 million honey bee colonies in the USA; in 1990 there were 3 million; today there are about 2.5 million.<sup>2</sup> During this most recent winter, the honey bee population declined by over 30%. The cause for the death of the bees is still unclear. Factors such as parasites, disease, genetics, poor nutrition and pesticide exposure have been cited. Europe is also facing a serious bee “die-off.” The European Commission has imposed a two-year ban on neonicotinoids (insecticides chemically related to nicotine), which it feels may be partially responsible for the die-offs. The US has not yet banned neonicotinoids due to a lack of evidence linking them to bee deaths. What is clear is that if this decline continues, the cost of almond production will be impacted because it takes 1.5 million out-of-state honey bee colonies to pollinate the roughly 800,000 acres of almonds in California. We will keep monitoring this story and send periodic updates, but of course it’s not as important as the Jodi Arias trial, or the soon-to-be Ariel Castro trial. Let them say what they want about Americans, but let them not say that we don’t know our news priorities.

<sup>2</sup> ‘Beemageddon’ threatens US with food disaster; May 7, 2013; Reuters/Stephane Mahe; Honeybees Died Off in Large Numbers Over Winter; May 7, 2013; The Wall Street Journal Online; Bill Tomson & Ryan Tracy.

## Prices



**Seller's Perspective:** We don't see much more of a price correction in the future. Though buyers will argue that export shipments are down, we take that as bullish news. When importers all around the world see that there is not much on the water coming their way, they get more confident in their ability to sell and don't rush to discount to generate cash. New crop is already discounted to account for an eminently manageable 2 billion pound crop. Europe would like to see BSU5 drop below \$2 per pound, but that is unlikely to happen. Current crop BSU5 is around \$2.70 per pound for prompt through August, with September bids at \$2.50 and October bids at \$2.30 per pound. Small sized Nonpareil have become extremely difficult to find, with most of the inventory now in sizes 20/22 – 23/25.

**Buyer's Perspective:** Ah yes, the dreaded "large sized" NPX unavailability. How every season you get us to believe that there simply is none to be had, and how every April, God magically makes more and deposits them in your bins. It was the fish and loaves back in Bethsaida, and now it's the NPX 23/25 in Modesto. Oh, and as for pricing, we love the wishful thinking. Another couple of months being carried solely by your domestic market and we will see where prices go. China's not coming back this season. India is not going to pay current asking prices. Demand from the Middle East is weak, with most of the demand for Ramadan finished. But hey, we hear that Russia is the new China and that Algeria is coming on strong. Good luck with those collections in a falling market. Keep this link handy: [Euler Hermes](http://EulerHermes.com). You're welcome.

### **Conclusion**

Buyer and Seller opinions will vary, but we think that current crop is in a comfortable trading range and we don't see a big upside or downside in the coming weeks. If buyers get a sense that California is standing strong, they will come back. There is more product to buy between now and new crop, especially from Europe. What we may see is further shrinking of the price difference between the industrial grades and the higher grades like NPX. As always, confidence is king.

In regards to the new crop, everyone would like to see starting prices mirror last season. Buyers always have confidence when they see a good up-side. It's tough for them to see much of an upside when NPX 27/30 is near \$3 per pound and BSU5% is \$2.40 per pound. With that said, we will be the first to admit that a \$0.30 per pound price correction is likely to open the demand floodgates.

For now, we will have to live with the fact that we are going to have this same price conversation approximately 1,100 times at the INC. Every buyer is going to say that he is waiting for lower prices. Every California supplier will say that a further price decline is not justified. Buyers will talk about economic and political challenges and the resulting fall in demand. Sellers will talk about the fact that new bearing acreage is not coming online in any meaningful manner for a few more years, that there is a water crisis, that the costs of farming are going up and that the new crop is not going to be a record.

The discussion will end with every seller saying that we are selling too cheap and reminding buyers of how Paramount has raised the baseline pistachio prices by \$2 per pound since 2003. Every buyer will remind sellers that there are over 100 handlers of almonds and that the feat cannot be replicated in the almond industry....and that soon there will be 800 million pounds of pistachios with which that industry will have to contend. Then the subject will change to China, where everyone will become a Sinophile. Then everyone will say that his or her business is doing great, that sales are up and that they have no bad receivables. Then they will flash their new bling or Rolex and walk away to find someone more interesting to talk to, while pretending to need another drink. You see, you could have read this and saved your money....but then you would not get to hear the Brazil Nut presentation and see beautiful Barcelona.

Wish all of you going to the INC a safe trip. Enjoy the bonus section below, and remember while you're sitting through some of the INC sessions: "Meetings are an addictive, highly self-indulgent activity that corporations and other organizations habitually engage in only because they cannot actually masturbate." Alain van der Heide

Best regards,  
**DERCO FOODS**

**TOP TEN THINGS THAT WILL BE OVERHEARD AT THE INC IN BARCELONA**

10. Stop me if you've already heard this one: "Shabbir Abidali, Deepak Narula and Manuel Alonso walk into a bar...."
9. I'm sorry to hear about your residential real estate problems in Fresno. The good news is that I have some attractively priced apartments for sale very close by. Good construction. Good view. The apartments may eventually even have access to city water and electricity, too. Le voy a ofrecer un buen precio.
8. These standard prices are too high. You know that the economic situation in Europe is not good; but if prices go below \$2.00 per pound, I will consider the economic situation to have improved and I will be a buyer.
7. This is a beautiful hotel and a beautiful conference. I'm glad I exhausted my children's college savings to attend.
6. Did you see the beautiful new INC Home in Reus? I took an intimate photo, just me and my brick.
5. Two words: Crema Catalana
4. I hope they're not serving quail for dinner again.
3. You know China is in trouble when California almond growers talk about expanding their sales to Russia "just to be safe."
2. There are 1,100 people attending. I know most of them but did not have a meaningful conversation with any of them. What's worse, I got 4 drinks spilled on my new Ermenegildo Zegna jacket at the cocktail reception. I had bought it to impress the Turkish hazelnut delegation. All 200 of them.
1. Welcome to Cataluña. Maybe after your conference here you can also go and visit Spain.