

**May 2015 Almond Position Report****Inside: Top Ten Things Overheard at the INC Congress in Antalya**

May 2015 shipments are 139.6 million pounds. This is 2.9% less than the May 2014 shipments of 143.7 million pounds.

**2014 Almond Supply**

Carry-in from the 2013 crop:	350 million pounds
Estimated 2014 crop size:	1.866 billion pounds
Less 3% loss / exempt:	56 million pounds
Less shipments to date:	1.539 billion pounds
Less commitments:	331 million pounds
Remaining unsold supply:	290 million pounds

**Shipments & Receipts**

Grower's Perspective: Total shipments are down 6.8% compared to last season, but crop receipts are 7% less than last season. We are right where we want to be. By July 31<sup>st</sup>, we will have shipped about 1.825 billion pounds, or the entire marketable 2014 crop, at historically high prices. Just a minute....it's a processor calling....won't be long, just need to tell him that he's returning \$0.02 per pound too little and that I'm not going to deliver my almonds to him next year. You know, these little people in the chain from processors, traders, importers, end users....thinking that they matter...can you believe the *naïveté*? Oh, you like that word, huh? It's a new one I learned last week when I was shopping in the Lanvin store in Paris. A pansy-looking clerk in short tight pants and light brown loafers used it when I asked him if I could buy a baseball cap. I was just as shocked as you to find out that it has nothing to do with Native Americans. Who would've thought? I used it right... right?? Where was I? Oh yeah....let me tell you about the new Evinrude I've been modifying in my shop before my trip to Cabo....CPA says I can call it a well pump.

Buyer's Perspective: We wish that we were almond growers. We cannot mask our jealousy. Six-figure profits on a container - when the median annual household income in California is \$57,000 - coupled with a genuine resentment of the relatively negligible amounts others in the chain are making. Priceless.

**Commitments**

Domestic commitments are up an astounding 26% (about 31 million pounds). Export commitments are up nearly 11% (about 18 million pounds). Total commitments are up 17%. Uncommitted inventory is down 12%. During the month of May there was about 105 million pounds of new business done.

**Export**

Grower's Perspective: Exports were down 2% for May. Looks like some countries bought more. Some bought less. We hear something about people going to jail in China, a big drop in the Turkish Lira, banking difficulties in Egypt, Libya and other Mediterranean countries, crackdowns on the Vietnamese border, a slowdown in consumption in Europe, the Women's World Cup in Canada and other uninteresting foreign news. We don't care. Let the exporters worry about it. Hell, for what they're making on a load, I can get new tires on my

Range Rover....uh...I mean my “heavy farm vehicle.” And how ‘bout those Indians? They just keep on going. Shipments to India up 25% at these crazy prices. God bless them fellas. They’ll go to Hell for not believing in Jesus, but while they’re alive, hope they keep eating almonds. The Europeans, for all the complaining they do, are only down 4% for the month. We know that all of Europe is down 6%, but who really counts Eastern Europeans? They’re just make-believe Russians anyway. And everyone knows you can’t trust Russians – keeping the Pope waiting - really, Vladimir? Germany led the way, up 51%. Italy was up 10%, and the Brits were up 63%. Nice to see them sprouting a pair and buying. Spain is down 24%...all the other countries that matter are down, too. The Greeks and the Portuguese are up, but combined they took about 1 million pounds. Heck, one of my little ranches out by Ripon produces that much in a bad year. Cute little Mediterranean types. Keep eating that olive oil and drinking that wine. You’re gonna live forever!

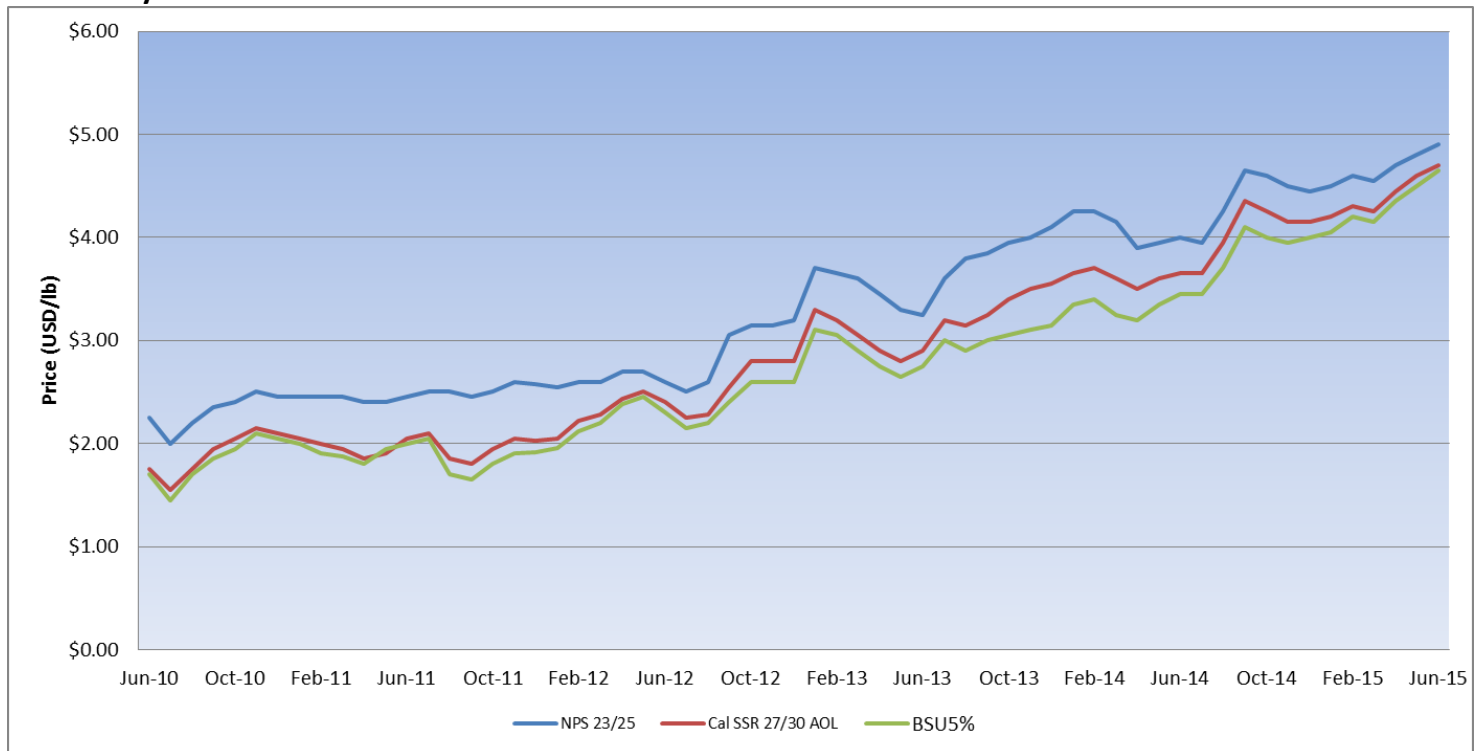
Buyer’s Perspective: We don’t know how much longer this pricing trend can continue. We are seeing increased resistance from our buyers and we are starting the new crop at record levels. Difficult to see where we go from here.....but bears belong in the zoo, right?

### Domestic

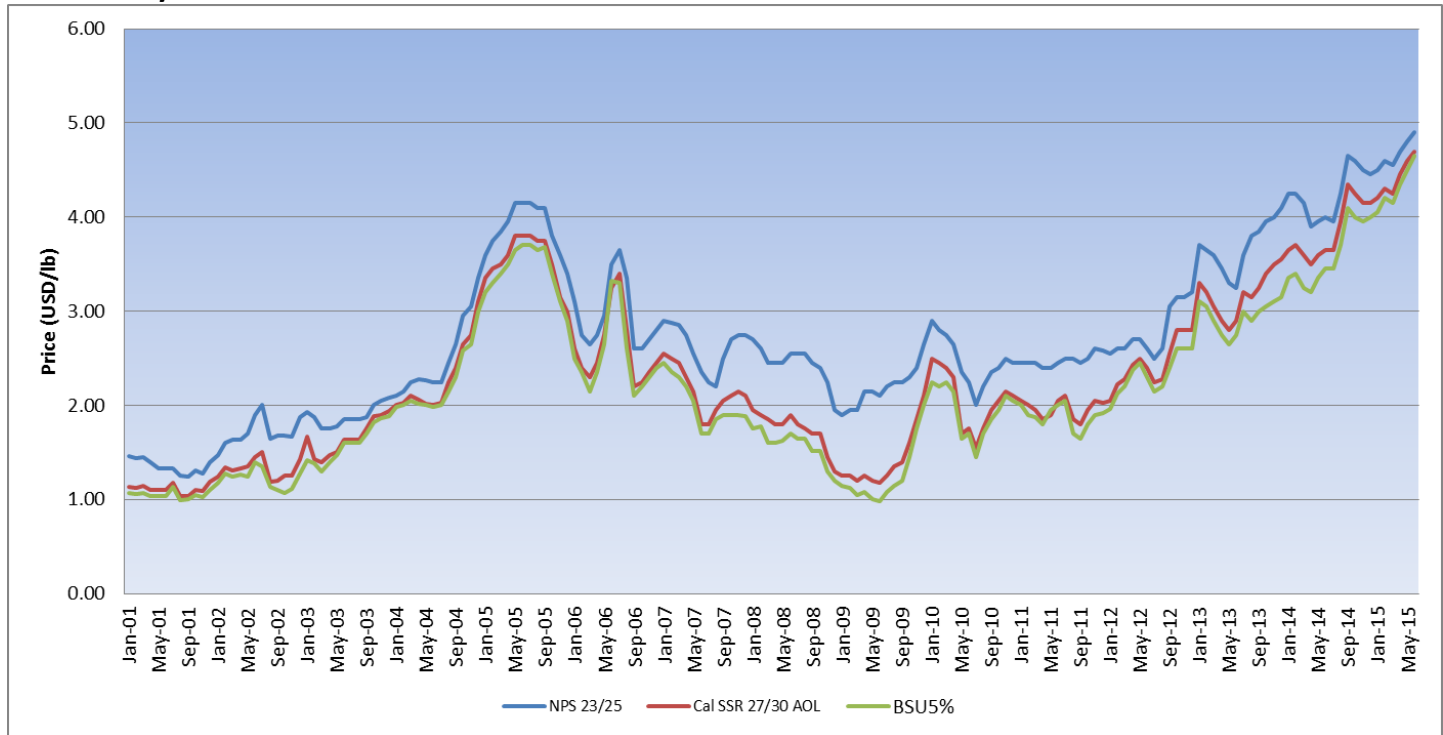
Grower’s Perspective: God Bless the USA. Though domestic shipments are down 4% for May, this was still the 4<sup>th</sup> highest May ever and within 2 million pounds of the record (54.64 million pounds) set last year.

Buyer’s Perspective: God Bless the USA, indeed.

### Prices – 5 years



## Prices – 15 years



## Conclusion

The almond market is firm and likely to stay that way for the foreseeable future. There is not much current crop left, and with the commitment figures, it's clear that June and July will be healthy shipment months. Considerable new business has been done during May for the balance of the year. It seems almost a certainty that the 2014 season will close strong. The only significant factor that may reverse this trend is a surprisingly high objective estimate by NASS on July 1<sup>st</sup>. The amount of credence given to this estimate remains to be seen.

What happens to the 2015 season is the question now. Will an El Niño pattern over the Pacific add dramatic rainfall on the valley floor and snow in the Sierra Nevada mountains? If so, this will have a psychological impact on prices, if not an immediate impact on supply. With the prospect for good water, prices can soften. But most experts advise that one year of above-average rainfall will not be nearly enough to reverse the effects of the multi-year drought.

In regards to new crop, most of the newsworthy activity during the past few months has come from India, where importers are paying record prices for inshell Nonpareil. Last trades have been around \$3.65 - 3.70 per pound for 70% meat yield basis. The Middle East has been buying new crop cautiously, while current crop interest stays strong. Chinese importers have been undergoing lots of difficulties. The government crackdowns on the grey channels and on money transfers from "money shops" has landed many people in jail and forced the industry to reconsider its importing practices. There is a move starting at the (serious) importer level to shift all imports through official channels. How much traction this receives once the pending investigations are completed remains to be seen.

In the meantime, the Chinese are mostly sitting on the sidelines. There is limited new crop buying, but nothing on the scale of years past. It will likely be another 30 – 60 days before there is clarity about the direction Chinese importers will take for the coming season.

Europe continues to reluctantly buy industrial material at higher and higher prices, though the resistance from importers, retailers and consumers is starting to mount. It will be interesting to follow the almond market in Europe this year to see how prices react to a good new Spanish crop and to new crop hazelnut prices which will be lower.

“We are born brave, trusting and greedy, and most of us remain greedy.” Author Unknown

Best Regards,  
**DERCO FOODS**

**TOP TEN THINGS OVERHEARD AT THE INC CONGRESS IN ANTALYA<sup>1</sup>**

10. Welcome to ~~Moscow~~....Antalya!
9. Not a lot of Americans came to this INC. People who live in the pollution, car-theft and Crystal Meth capitals of the United States – Fresno, Stockton, Modesto & Bakersfield - are afraid of coming to *Turkey*?
8. These bathrooms are so thoughtfully designed. You can float your rubber duck inside or outside the tub, since water in both areas is distributed evenly!
7. No, I'm not auditioning for a part in Castaway 2....I've just been looking for my room for 3 days but somehow keep ending up either in the empty bowling alley or on top of a water slide. Can you help me find 5003?
6. How exactly do you sponsor an event at an all-inclusive resort?
5. No, no, no – he's not a Turkish shepherd calling his sheep. He's announcing the start of the next session.
4. We were all HAPPY the first time we heard HAPPY....but by Sunday's sessions, even Pharrell Williams was ready to kill someone.
3. The internet connection is terrible....but since all the good porn sites are censored in Turkey, no one cares. European secularist country my ass!
2. The emcee is so beautiful and elegant that no one's noticing the fact that she's not actually speaking English.
1. Yeah, yeah...we'll do some business...yeah, was nice seeing you too....now could you just lean to the left a little, the Russian Twins are walking by the pool and your head is blocking my view.

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<sup>1</sup> The Antalya Congress was a very well-organized conference in a beautiful setting. Incredible effort goes into putting on such an event. We had a very nice time visiting with many of you and are even slowly getting our hearing back after listening to the band at the Gala dinner. This Top Ten list is done in fun – and won't make much sense if you were not present. Heck, it may not make much sense if you were! This list underwent countless iterations to ensure that we didn't push the envelope too far. The uncensored version was much better. It included a wonderful musing from a good friend in the industry who, referring to the awards given at INC events, quipped: "I didn't know that mutual masturbation had become a spectator sport." As you can see, publishing the full uncensored list would have likely resulted in not only the ongoing 'blacklisting' of me as a speaker on future INC panels (for comments made during the Barcelona congress), but possibly in me having to find a new line of business altogether. So please remember that the aim is to laugh at some of the quirks of the event, which will always be present, no matter the location or organizing committee. This is a huge job, not unlike the herding of many wealthy, type-A cats - and it's done beautifully. It is never our intention to make anything personal, as we fully recognize that we are in this industry together – defaulters and all. Enjoy in good fun and see you in San Diego in May 2016. That means you, too, Shabbir Abidali and family! Oh, and rest assured that in case the INC decides to give me the Golden Nut Award in San Diego, I will be the first to 'condemn, in the harshest terms possible' anyone who is critical of the awards decision making process! Jealousy is a bitch and we're honest enough to admit it.