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July 2009 Almond Position Report
Summer Vacation Bonus Section included – (free for Platinum Members)

July 2009 shipments were 121 million pounds. This is up about 21% from the July 2008 shipments of 99 million pounds.

Analysis

Carry-in from the 2007 crop year:	231 million pounds
2008 Crop Receipts:	1.614 billion pounds
Less 3% loss / exempt:	(48 million pounds)
Total available supply:	1.797 billion pounds
Less shipments to date:	1.389 billion pounds
Remaining supply:	407 million pounds

Shipments

Seller's Perspective: A terrific end to the season. This was the 6th consecutive record shipment month. It was the third strongest shipment month of the season (behind September and October)...and it came in....July? So much for the seasonality argument of almond shipments. This performance resulted in the California almond industry shipping 1.389 billion pounds for the 2008-2009 season. This is up 10% over last season, and leaves a carry-out of 407 million pounds which is eminently manageable, especially when you take into consideration committed domestic and export shipments totaling 231 million pounds. This leaves only 176 million pounds of uncommitted inventory.¹ To all those of little faith, "we told you so."

Buyer's Perspective: Keep BSU5% at current levels and you will do it again. If you make your product cheap enough, of course your shipments will go up. We told you so.

Export

Seller's Perspective: New record with 81.7 million pounds, giving us a total of 978.4 million pounds exported. A new seasonal export record, breaking the old record set last year by 112 million pounds.²

Buyer's Perspective: A great performance indeed, considering the lackluster performance in Europe, which was down 5% overall.

Domestic

Seller's Perspective: A new record at 39.3 million pounds and the second highest shipping month of the season, behind October. We are reading the same statistics as you are. It's true.

Buyer's Perspective: This is what we like to see – don't dwell on your soaring unemployment, your non-existent home equity, your military overstretch, your reliance on an energy source that is no longer readily available and your ballooning budget deficits....True, true, true - these things have unambiguously pointed to the collapse of all major global or regional powers since the dawn of civilization. But these are all alarmist distractions. When people tell you things look bleak for America, just tell them that you set domestic shipment

¹ And as of August 1, it's all new crop, baby!

² Congratulations to India, who took 6 million pounds of the total 6.7 million pounds of inshell exported in July.....Wait...were these contracts that were supposed to ship many months earlier but that were delayed as long as possible due to price corrections and market lethargy? Hey, let's be optimists and congratulate India anyway – we need them to be in a good mood and to feel good about themselves because we are going to ask them to pay more than \$2.50 per meat pound for new crop inshell Nonpareil starting tomorrow. Go India! We love you!

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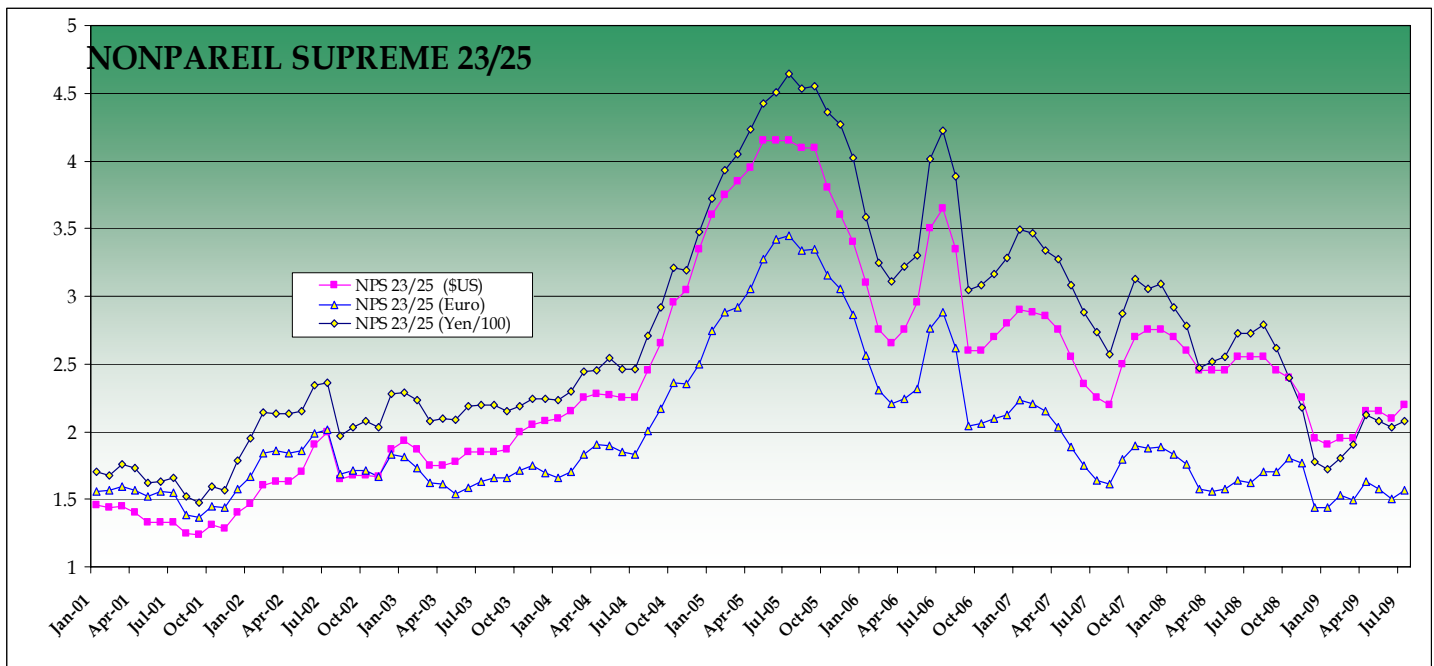
records 6 months out of the last year. That will put the nay-sayers in their place. Now if you could only explain 12 million pounds of inter-handler transfers, we will all be on the same page.

Top Growth Markets During the 2008-2009 season

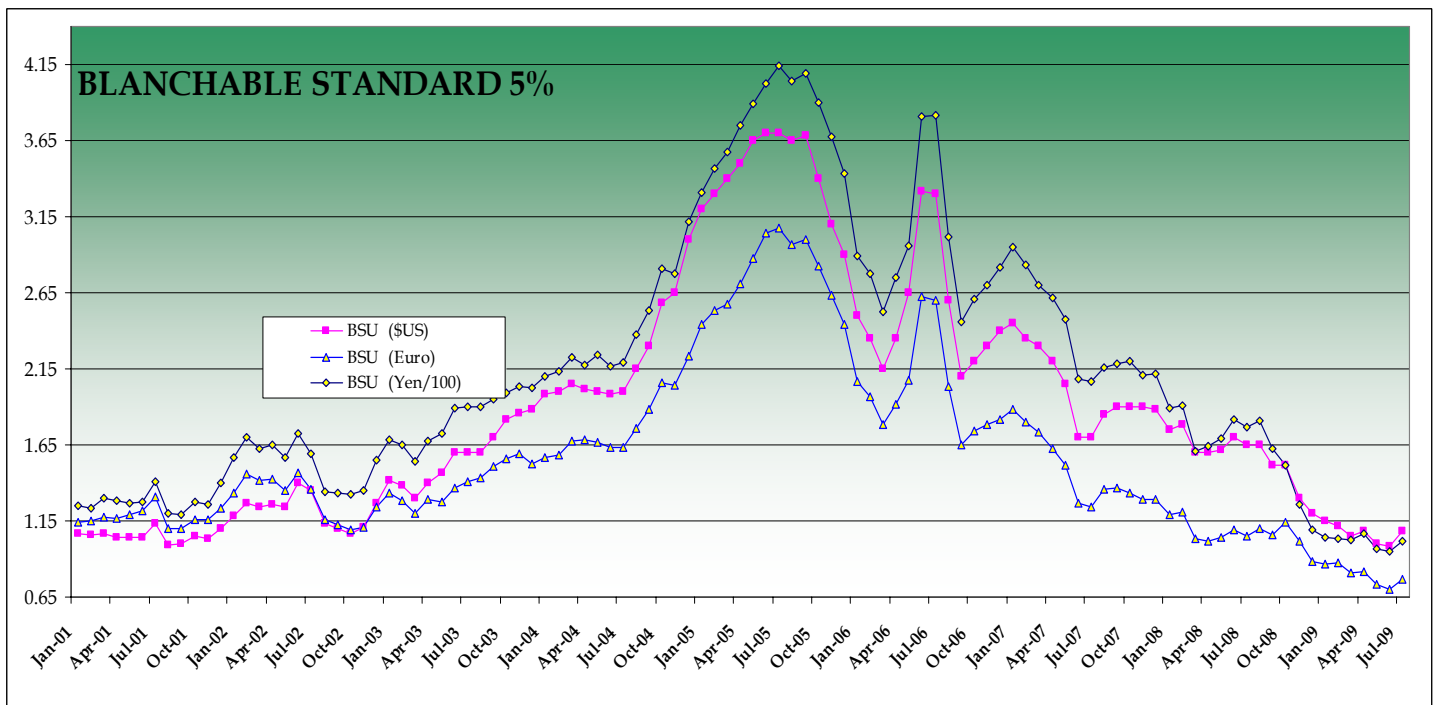
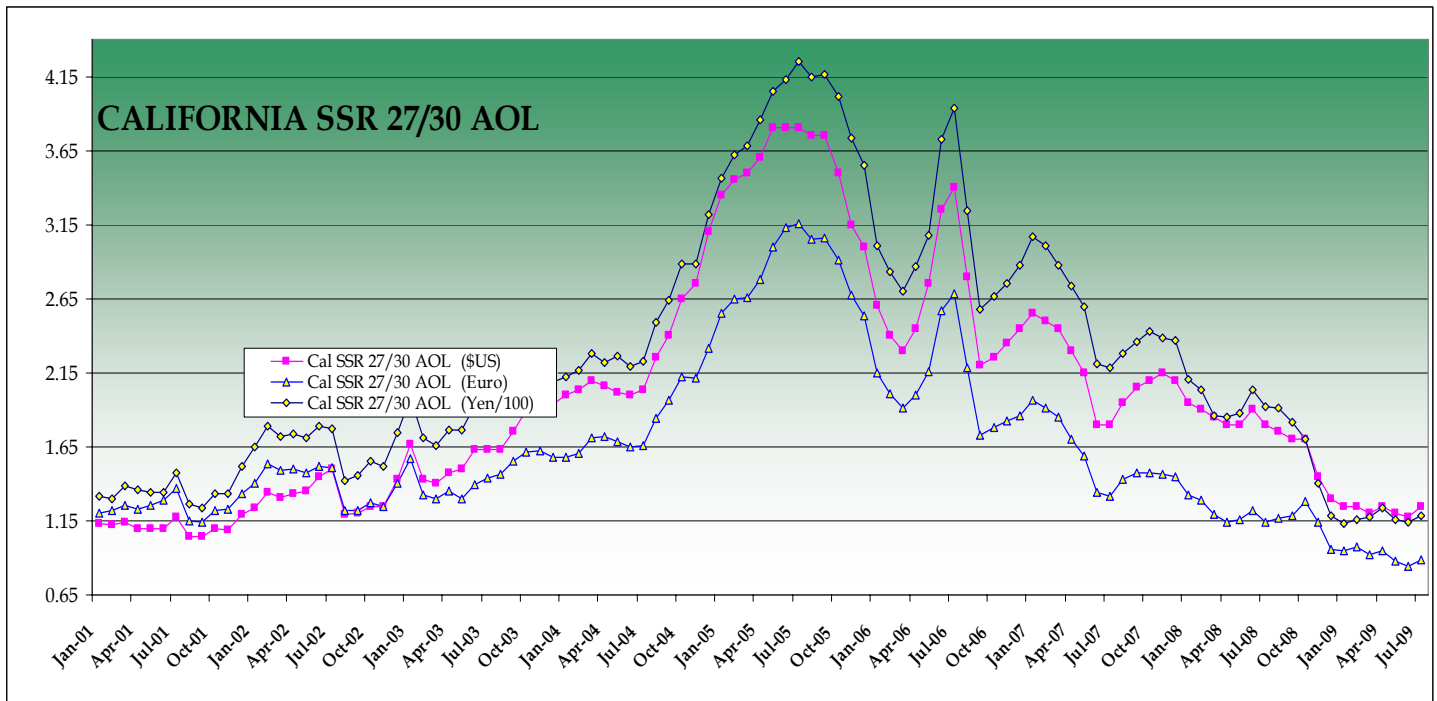
Here is a partial list of some of the markets that saw the biggest increases in shipments compared to the previous year: Algeria, Bahrain, China, Czech Republic, Egypt, Hungary, India, Jordan, Lebanon, Libya, Pakistan, South Korea, Tunisia, Turkey, United Arab Emirates. Not exactly what many would call a “Who’s Who” of the almond world. These countries may have been on some visionary companies’ radar screens ten years ago, but few would have predicted that in just one season exports to these countries would increase by more than 110 million pounds.

It’s understood that several of these import destinations act merely as “pass-through” points; that is, the almonds going there are transshipped to other countries (by legal and more creative methods). Yet this is not of much significance and it still clearly shows an overall global acceptance and growth in demand for almonds.

Prices



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Conclusion

This was a good year (at least a good final 6 months) for the almond industry considering all the financial difficulties that impacted virtually every region and country in the world. Though almond growers will tell you that their returns, especially on California/Butte/Padre varieties were disappointing and not sustainable in the long term, the industry still managed to set a new shipment record and can now build on that momentum, buttressed by affordable prices, moving forward.

According to our very unofficial survey, this is the least “sold” the industry has been in regards to the new 2009 crop. The reason for this is two-fold: (1) The buying interest from the 2009 season was at levels that did not entice growers to book forward. (2) There was not that much forward buying interest to begin with! So the question that many buyers and sellers are asking now is: how will California manage such a seemingly anemic committed inventory position from the new crop if demand in the next few weeks is not robust? Will patience prevail or will there be anxiety and a need to convert the incoming crop to cash? Chinese demand is picking up, but has not yet come in earnest. As for India, July’s shipments of inshell are stunning. Talk has also been about all the inshell that has been shipped from Australia during the past several months (though even the most vociferous readily admit that this is not nearly enough to satisfy growing demand) and the fact that more and more people are turning to cheaper inshell Carmel and Carmel types that are perceived to provide a better value.

What this means to the volume of inshell Nonpareil that will be sold early on from the new season – which is crucial in strengthening sellers’ resolve on shelled almond pricing – is unclear. But we can say with a certain degree of confidence that if inshell Nonpareil sales for August – September are not strong, taking Nonpareil prices to the levels that growers are hoping for may not materialize in the coming months, notwithstanding the reduced Nonpareil crop size (and initial talk of higher than normal serious/insect damage).

On the buying side – we all need to remember that many customers – even previously triple-A rated ones – have had their credit facilities cut. Therefore we expect a lot more hand-to-mouth and spot purchasing as we think that the benefit of a few cents lower purchase price will be outweighed by the sheer inability (and perhaps unwillingness) to finance big volumes.

Now we wait for harvest to commence in full force. This will happen within 2 weeks. The south valley is already harvesting now. As we get more information in the coming few months, we will see if the predictions on the considerably smaller Nonpareil and Carmel crops will materialize, if kernel sizing will indeed be bigger, and if the crop will come in close to the objective estimate of 1.35 billion pounds. If the actual crop receipts reflect a 1.35 billion pound crop, and if we ship 7-8% more than this past season (1.5 billion pounds which is very feasible), then we will be looking at a carry-in of 215 million pounds. This is nothing.

We wish you all a healthy, prosperous and uneventful new season. To all our friends in the Northern Hemisphere, enjoy the last days of summer...and remember that it’s only almonds - life is short.³

“My doctor gave me two weeks to live. I hope they’re in August.” Ronnie Shakes.

Best regards,
DERCO FOODS

³ This report is in memory of my friend Greg Romagnoli, who died suddenly last month at the age of 39, leaving behind a beautiful young family. Greg was one of the finest human beings you could have had the privilege to know. It’s only almonds. “Life is a miracle to be enjoyed; not a problem to be solved.”

Summer Vacation Bonus Section

Top Ten Most Memorable Statements of the 2008-2009 Almond Season

10. I would like to book about 7000 tons of 2008 and 2009 crop BSU5% at \$1.65 / lb.
(Iberian peninsula processor – spring 2008)
9. Yes, the shipment was accompanied by a VASP certificate. But it was shipped to Italy.
Don't you know that Italy is not part of the EU?
8. Buy all the Cal SSR 27/30 AOL at \$1.85 per pound that you can.
7. I know that I bought inshell Nonpareil based on 70% meat yield with price to be prorated
up or down based on the actual net edible yield on the USDA certificate. But the meat
yield you shipped is too high and now I am going to lose money. We need to
renegotiate.
6. Come on! I know it's a low bid but the shipment is going to Piraeus – the container will get
there and be cleared within 40 days. You have nothing to worry about!
5. Ship it to St. Petersburg – payment 30 days after approval of quality.
4. I bought Nonpareil, a blanchable variety - but when I put it in water, the skin is falling off!!
3. We will pay by Friday.
2. Don't worry...I shipped it with Zim.
1. UPS courier driver to bartender in Spain: "Buenas tardes, jefe. It's after lunch, so of course the
bank has already closed. I am going to leave these original negotiable documents covering
almond shipments worth about \$1 million with you. Please deliver them to the bank tomorrow
when they open. Oh, and I'll take an Alhambra Reserva for the road. Gracias, muchacho."