

### **July 2014 Almond Position Report and 2014 Season End Summary**

July 2014 shipments are 132 million pounds. This is 12.3% lower than the July 2013 shipments of 151 million pounds.

#### **Analysis of the 2013 Almond Season**

Carry-in from the 2012 crop:	317 million pounds
2013 crop receipts:	2.009 billion pounds
Less 3% loss / exempt:	60 million pounds
Less Shipments for 2013 season:	1.937 billion pounds
Carry-out into the 2014 season:	329 million pounds

#### **2014 Almond Supply Scenario**

Carry-in from the 2013 crop:	329 million pounds
2014 crop NASS estimate:	2.1 billion pounds
Less 3% loss / exempt:	63 million pounds
Less commitments:	191 million pounds
Remaining unsold supply:	2.397 billion pounds

#### **Shipments**

Some buyers may feel that with shipments for July down by over 12%, that this will result in lower prices being offered from California. We don't think that this is going to happen. Here are some reasons why:

- For the 2013 season, California shipped 1.937 billion pounds. This is the highest seasonal shipment total ever (previous record was 1.898 billion pounds for the 2011 season) and it is anchored firmly by the strength of the US domestic market, which accounted for approximately 1/3 of all sales.
- The 2013 crop was sold at the highest average price ever.
- California grower confidence is at an all-time high.
- California grower returns are at an all-time high.
- California grower unity is at an all-time high.
- Global demand is growing – and no one really knows by how much – they just know that it's by more than they thought.
- The global middle class is growing. In Asia, the growth of the middle class is faster than the overall population growth in the region.
- The importance of healthy eating is growing around the world at the very same time that all the news about the benefits of eating tree nuts is spreading.
- Reports of early Nonpareil crop receipts are falling short of expectations (but it is still early)
- Water shortage

#### **Domestic Shipments**

Domestic shipments were 53.5 million pounds. July was the 10<sup>th</sup> month out of 12 to set a new domestic shipment record.

### Export Shipments

Exports were down 21% for the month of July. In Asia, China/Hong Kong was down 36%, Vietnam down 64%, and India down 8%. Japan and South Korea were the bright spots, up 14% and 62% respectively. Shipments to Western Europe were down 24%, with most major importing countries down considerably (Germany **-30%**, Netherlands **-37%**, Spain **-30%**). The Middle East was down 47%, primarily because of lower shipments to the UAE (**-49%**) and Turkey (**-78%**). Saudi Arabia was up 120% and Israel was up again, an amazing 4,856%.

We don't believe that Russia's ban on the importation of California almonds will affect prices.

### Regional Shipments

Here are the 2013 seasonal shipment totals for shelled and inshell almonds to major global markets (in pounds):

	<b>August 2013 - July 2014</b>		<b>August 2012 - July 2013</b>		<b>% Change</b>
<b><u>EUROPE</u></b>	<b>Shelled</b>	<b>Inshell</b>	<b>Shelled</b>	<b>Inshell</b>	
France	22,913,949	114,924	24,117,335	62,729	<b>-5%</b>
Germany	126,699,303	125,220	120,927,739	99,311	5%
Italy	51,616,766	1,856,145	35,940,221	1,283,244	44%
Netherlands	45,336,154	0	41,884,659	15,257	8%
Spain	189,710,263	3,686,228	157,599,109	923,116	22%
U.K.	27,814,028	47,874	26,396,509	8,670	6%
Russia	31,780,564	732,351	42,186,664	3,096,096	<b>-28%</b>
<b><u>MIDDLE EAST</u></b>					
Egypt	3,774,000	210,065	3,818,025	790,842	<b>-14%</b>
Libya	1,078,094	459,859	328,044	458,795	95%
Israel	5,995,327	353,064	2,376,837	0	167%
Jordan	7,761,650	749,376	5,816,750	807,733	28%
Lebanon	5,152,125	0	4,548,400	3,500	13%
Saudi Arabia	13,973,150	297,726	9,464,075	344,246	45%
Turkey	31,402,838	21,297,522	19,220,000	19,991,296	34%
UAE	77,800,184	8,276,368	69,181,805	12,218,674	6%
<b><u>ASIA</u></b>					
China/HK	75,964,113	68,855,148	89,921,872	118,256,714	<b>-30%</b>
Japan	75,599,652	250,230	65,567,754	392,369	15%
South Korea	53,336,552	161,091	45,994,091	0	16%
Taiwan	12,273,081	415,598	9,998,660	901,568	16%
Thailand	4,120,331	34,335	3,795,155	0	9%
Vietnam	1,040,076	17,357,882	533,950	14,902,156	19%
India	7,058,757	95,102,536	4,861,378	120,231,365	<b>-18%</b>
Pakistan	427,966	2,196,784	999,756	3,063,821	<b>-35%</b>

**Conclusion**

So far, the news about the 2014 harvest is mostly negative. Most growers are indicating that the initial reports from the field are showing Nonpareil orchards that are down significantly (10-30%) from last season. Most are attributing this to the lack of water.

All those not living in California just cannot understand the genuine fear over the drought and the ensuing water shortages that are coming. If California does not have plentiful rain during the coming months, then orchard survival will be more important than almond demand. The monthly position report, which over the past decade has become the most important information source, will become less important. All the focus will be on water.

If the rain does not come, the 2014 crop, whatever the size, is going to be marketed over a period greater than the typical 12-month season. Cash-rich growers are likely to hold product from the market. This will create firm prices.

Buyers will argue that this is going to reduce the growth of the industry and limit the introduction of new products containing almonds. They are going to say that this may result in certain almond products being de-listed from supermarket shelves. They will also say that prices will become too expensive for the typical consumer, especially in developing markets. Buyers are going to be correct in pointing to all these factors - but few in California will listen.

When an orchard's survival is the issue, and when growers are paying a lot of money for water, for drilling new wells or drilling existing wells deeper (when they are allowed to do so by the authorities) - then the last thing on their minds is whether or not a product containing almonds in another country is going to stop being produced. If there is no water, then the other issues simply don't matter.

We are not yet making any conclusions about the size or the quality of the 2014 crop. It is too early. But we must report what we are hearing from all those around us – that so far, the initial harvest results have been very disappointing.

Best Regards,  
**DERCO FOODS**