

August 2015 Almond Position Report

August 2015 shipments are 126.165 million pounds. This is 11% less than the August 2014 shipments of 141.692 million pounds.

2015 Almond Supply

Carry-in from the 2014 crop:	376 million pounds
Estimated 2014 crop size:	1.80 billion pounds
Less 2% loss / exempt:	36 million pounds
Less shipments to date:	126 million pounds
Less commitments:	371 million pounds
Remaining unsold supply:	1.643 billion pounds

Shipments & Receipts

Receipts are nearly identical to last season at this time, down just slightly (-0.23%). The almond crop was early this season. It is also being harvested and hulled/shelled very quickly (because of increased capacity). As a result, the vast majority of California growers believe that the initial receipts will be misleadingly high. Few people in California now believe that the NASS estimate of 1.8 billion pounds will be reached. Talk is now of a crop closer to 1.70 – 1.75 billion. This pessimism on the crop size is more widespread than we have ever seen.

The carry-in from the 2014 crop into the 2015 crop was adjusted up by 26.7 million pounds. This is because at the beginning of the 2014 season a 3% loss/exempt number was used, but at the end of the season, the actual loss/exempt was only 1.57%.

Shipments are down 11%. This is mostly because of a lack of export demand but also due to the fact that sellers have not been very motivated to pursue bids or to discount prices. Sales activity from California has been slow. Many companies have indicated that for this time of the season, their future commitments are the lowest they remember. The official numbers support this assertion.

Commitments (Almonds that are sold, but not yet shipped)

Commitments are all down: Domestic -17%; Export -14%; Total Commitments -15.90%. Uncommitted inventory is up 112% (216 million pounds v. 102 million pounds last season).

Domestic Shipments

Domestic shipments are amazing at nearly 54 million pounds. It seems that the US market is not very price sensitive when it comes to versatile and nutritious almonds. 53.98 million pounds taken by the domestic market is a new record for the month of August, breaking the previous record of 51.14 million pounds set in August 2014.

Export Shipments

Export shipments are 72 million pounds, down 20%. This is a disappointment, but not an unexpected disappointment. Outside of the USA, much of the rest of the world is dealing with very serious economic and political problems. This is reflected in the lack of buying interest in many major markets.

It is still too early in the season to do a detailed country by country analysis. Here is a review of the major markets. India is -37%. In Northeast Asia, Japan and S. Korea are the bright spots, +60% and +22% respectively. China/HK is -32%. Vietnam is -96%. This is also partly due to the fact that few companies in California are willing to ship to Vietnam directly any longer.

Western Europe overall is -10%, with the three largest importing markets all down: Spain -13%; Germany -33% and The Netherlands -24%. Italy is +71%. Central/Eastern Europe is -3%. Overall Europe is -10%. In the Middle East, Saudi Arabia is +537%, an incredible amount. The UAE is -39%. The Middle East as a region is -20%. North African countries are -49%.

Conclusion

Export markets have been largely inactive, with most sellers not willing to discount prices and most buyers not willing to pay the current prices. The price for inshell Nonpareil has weakened the most, coming down from highs of over \$3.70 per pound FAS to around \$3.55 per pound FAS. The kernel market has been more stable, with NPX 23/25 still being offered around \$5.00 per pound FAS. The Nonpareil crop has been disappointing in many growing regions of California. Yields are down and sizing is small. The industrial market material (BSU5) has fallen from highs of over \$4.60 per pound to around \$4.50 per pound FAS basis. European second hand sellers have been offering as low as \$4.40 per pound FAS.

There is still a considerable disconnect between prices and demand. Here is the thought process as we are seeing it:

Buyers are saying.....

The world is in chaos. The Middle East is suffering the most, with widespread fear and instability. The market in Dubai is quiet as banks have tightened lending practices after the most recent financial scandals. Europe is facing a myriad of challenges and demand for almonds has been weak so far this season. China has well-publicized economic problems in areas of both GDP growth and currency. India has seen the rupee slide and demand deteriorate at these record high prices. We are simply not willing to speculate by going long at current prices. There is no upside for us. Growers have decided that they are going to keep every last penny of profit and we are not willing to risk paying over \$200,000 for a container of almonds in this environment. We will buy what we know we can sell and in the meantime, we are confident that this market will fall. No matter what California says and what the crop size is, these prices are just too high now.

Sellers are saying....

This crop will not make 1.8 billion pounds. It may not make 1.75 billion pounds. The Nonpareil variety is down more than 10%. We have been very profitable for more than a decade. We have a strong cash position and we can be patient. Though we would like to see a more active market, we believe that there are countries that simply cannot wait much longer, and we feel that despite the relatively high prices, importers will come and buy. We don't feel that consumers are going to have a problem paying the higher prices in most markets. We believe that the hesitance is coming from the part of importers. We can be more patient than buyers. Eventually we will move this crop at current (or better) prices once the full extent of the supply shortage is known.



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Bearish sentiment is dominating most markets. The domestic market continues to shine brightly – but the domestic market alone cannot hold this market up. Export markets need to participate soon. The standoff is clearly between sellers afraid of the crop size and buyers afraid of the prices falling.

The level of activity in the next few days and weeks will be key in determining the future direction of the market.

Let us know if we may be of further service.

Best Regards,
DERCO FOODS