

September 2009 Almond Position Report

September 2009 shipments are 134 million pounds. This is down about 2% from the September 2008 shipments of 137 million pounds.

Analysis

Carry-in from the 2008 crop year:	413 million pounds
Estimated 2009 Crop Receipts:	1.35 billion pounds
Less 3% loss / exempt:	(40 million pounds)
Total available supply:	1.723 billion pounds
Less shipments to date:	258 million pounds
Remaining supply:	1.465 billion pounds

Two Old Time California Growers Analyze the September Shipment Report¹

John: Hey Jim, Sue Olson – that fine looking woman from the Almond Board of California - just sent the September shipment report over. I'm glad we finally have an internet connection out here. I hated waiting for that darn fax copy. Let's see what we got for this month.

Jim: Receipts are up 2.56% over last year. Does that mean the crop is going to be bigger than last year?

John: That's what those sophisticated European types are gonna want you to think – pay them no mind, Jim. The receipts are higher because we have more hullers and shellers running at full speed. Heck, you just put a new one in and you're running 2 shifts, aren't you? It's way too early in the season to know much about the crop size. We won't know until the November report comes out on December 8th what this 2009 crop is going to shape up to be. The boys at the coffee shop are saying that the CASS estimate of 1.35 billion is accurate. Heck, if anything, more and more of 'em are saying that the crop will be less than 1.35 – some guys are talking 1.2 – especially those guys on the east side of the valley that got hit by that frost. Some of those guys have Carmel orchards that are down as much as 50%. Most others are saying their Carmels are down 20 – 30%. No one's happy with their Nonpareils. Sizes are averaging 23/25 and larger – and those Middle Eastern people keep asking me for 27/30 and 30/32s. I keep telling 'em we ain't got none – but they just keep calling anyway. And they sure do have some tough names. Poor Becky can't keep the Mohameds and the Ahmeds and the Ibrahims straight when they call in. Why can't those guys have some easier names?

Jim: Ain't that the truth, John. But I see here that total shipments are 10% ahead of last year. I reckon that's not too bad in this current global situation.

John: You're darn right that's not too bad.

Jim: What do you think of the domestic shipments, John?

¹ Please remember that this report is intended to always be humorous and occasionally also informative. As much as anyone in the global almond industry, we at Derco realize that California growers are exceptionally sophisticated people who are technologically savvy and conversant on global political and economic issues. This fictitious exchange is intended to relay some real information through an outdated caricature (of what some people still think almond growers are like). Similarly, the subsequent 3 exchanges are caricatures. The sophistication of the global almond community is not in question and neither is our utmost respect for all cultures and religions. But like most of you, we are working 12 – 16 hour days this time of the year and a break from the intensity would seem welcome. If you can't laugh at yourself as well as at others, please do not read this report as it will be sure to offend you. For all others with a sense of humor, we hope you enjoy.

John: 34 million compared to 36 million last year. Looks like the reduction all came from less inshell shipments – which are way down compared to last September: 485,000 lbs compared to 2.6 million last year.

Jim: How 'bout the export figures?

John: Just dandy. Look on the last page of that report – Sue here says they're only down 0.4%. I guess it's ok to call that even. Oh, and do you remember that good lookin' well-dressed exporter fella from Fresno who was down here last week?

Jim: That sharp dressed guy with that gorgeous Aytalian car?

John: No, that's that good lookin' guy from Oakland. I'm talking about the tall fella from Fresno who drives the Chevy. I think he's Artesian. He was saying that we have to look at the overall shipment report, then look at what India and the Middle East were doing. He thought that those areas were going to need just as many if not more nuts than last year, but that they were maybe missin' the boat by waiting. He said that last year they felt that they paid too much and prices fell and this year they weren't gonna make the same mistake. But that smart exporter said something like...wait...I wrote it down:

“Those kinds of emotional decisions based on short term memory tend to be erroneous and flawed. Without taking a macro-view of the global demand situation and considering the relatively higher price of competing nuts, waiting to make almond purchases may be a mistake, especially if the crop size comes at or below the estimate.”

Not sure I got all that, but from what I understood, I figure the Indians aren't too happy right now. Looks like they took 9 million pounds of inshell compared to 18 million pounds last year. If my math is right, that's down 54%. That seems like a big number.

Jim: It is a big number, John...A big number in a bad way. That's why we've been getting all those calls from Bombay – or Mumbai – or whatever the hell they call it these days. I must have took 5 calls from some guy named Bhatia before 6 am this morning...but come to think about it, I don't think it was the same guy. Do you think there's more than one guy over there with the last name Bhatia in the amond business?

John: Don't be so provincial, Jim. Of course there isn't. It must have been the same guy.

Jim: And what about the Middle East? Didn't they just finish Ramadan...you know, that month or so where they don't eat anything at night?

John: I think it's that they don't eat anything during the *day* – but I'm not sure either. Anyway...they all want to buy Carmel, Monterey, Price, Wood Colony, Aldrich – and they're even taking some Butte this year 'cause the color seems lighter. But it's got to be Supreme or better on the quality and my huller just bangs 'em up too much. Keep getting darn SSR on my cals. Anyway, those Middle Eastern boys are also wanting prices from a month ago and seems to me that just like the Indians, they're gonna come to this party a little late. They keep telling me that they have cheaper offers from Australia.....I tell 'em to book all they can from Australia. Damn Kangaroo lovers. Once Australia is sold out, we'll sell them whatever the Chinese didn't take. Good luck to those guys in Dubai doin' all that nut business...their demand is going up and they've taken 2.7 million pounds compared to 6.7 million pounds last year. At least that's what it says here on page 3....if I'm reading this thing right. Lots of columns and numbers and commas and percents. It's gonna take me a few months to get used to this new format.

Jim: Speaking of the Chinese – they've been goin' through this valley looking to buy whatever inshell they can get their hands on. They're paying more than \$1.10 for Carmel – Carmel Type, but I hear that a few processors are still selling them nuts below this level. Glad I'm not giving them my amonds. Heck, in a few months when everyone realizes how short these Carmels are, you won't be able to get an offer to save your hide.....lost my train of thought....Oh, yeah....John – what do you think about them Europeans? They wear those tight suits with those big neckties...you know...they tie those knots like they're trying to strangle themselves. And those blue and orange checkered shirts just make me laugh. Do you think they got more buyin' to do?

John: Well you know you can never get a straight answer from those guys. When standards were at \$0.95 per pound they wanted to push it down to \$0.90. You can't have the fox watch the chickens. If us growers can hold the line and not cave in to their pressure, I bet you we can push standards to \$1.50 per pound before the end of November. We just don't have as many small nuts that we're gonna have to sell as standards. Even them second hand fellows over in England aren't selling below \$1.30 per pound now. And I hear that business has been done for November to January for \$1.35 and higher. I don't think that they have bought much for January to June and they're just watching to see what we're gonna do. So far there's not much offers from others around here. We just got to make those boys over there realize that we can't survive selling our amonds below the cost of production. If I'm gonna lose money on 'em, I'll wait and lose it later. This market is set to go higher I'm just sure of it. Everyone around the world needs more nuts. In the coming few days you're going to see India go crazy, and them traders in Dubai will be comin' right behind them. I'm holdin' tight. I told the processor that when he can bring me a bid for Nonpareil 23/25 at \$2.50 per pound to give me a call. Until then I got this fence to fix....

Jim: Good seein' you John. See you tomorrow at Perko's. I'll be a little late – but I should be there by 4:30 in the mornin'.

European Traders Analyze the September Shipment Report

Clive: Hello Roger. Did you see the September shipments?

Roger: I did, Clive. I was looking at our positions. We have 4,000 tons of 2008 crop still left to ship. But we are short on 2011 crop – I think somewhere around two to three thousand tons. We hedged prices against our Macadamia contracts from Mozambique. The Turkish hazel market is difficult to predict and we are already long a few thousand tons there. Better play it safe. Looking at our overall positions, it seems to me that we should sell some first through third quarter 2010 positions short at \$1.35 per pound. The Americans are sure to crack shortly and we can cover those positions at a nice profit. And if they don't, we'll just pull the contracts over the next 3 years. They are going to have plenty of SSR material that no one else will take. Let them talk a big game now, by Christmas, when they see how many nuts they have and realize there was a 400 million pound carry-out, they'll be eating out of our hands. Don't forget to update me on the cashew and walnut markets. Are those guys in California still pushing walnut prices higher?

Clive: Done. I'll get the updates shortly. Let's do that 20T trade at \$1.25 with William through that usual broker we use. Then just tear up the paperwork as usual but be sure to send the commission out to seal the deal. I'll call a few people and spread the information. It will get to America by Monday. Candy, I tell you.

Roger: Very good. See you at the club.

Clive: Cheers.

Middle Eastern Importers Analyze the September Shipment Report

Mohamed: What does this September report mean, Suleima?

Suleima: I think it means that prices are going to go up, Sir.

Mohamed: Why do you think so, Suleima?

Suleima: Well, sir, the region is down 10% compared to last year. We just finished Ramadan and the warehouses are running low. The arrogant Americans are not offering anything. I have been sending e-mails telling them that you want to buy light colored kernels in high quality and they tell me to wait for the report. So now we have the report...and when I see Dubai shipments are so down, I worry. The traders in Dubai have been waiting to replenish their stocks. But maybe they have been waiting too long. All of the requirements for Ramadan next year are going to come from California's 2009 crop. I know we talked about waiting until February. But where will Nonpareil prices be if the Chinese keep buying all the Nonpareil they can get their hands on? I have heard that the Chinese are going to take more almonds this year than last. They are already up 80% in just the first two months of this season, and you know what they did last year, sir.

Mohamed: What about Australia?

Suleima: Nothing really left from their 2009 crop. The 2010 Australian crop harvest during our spring will certainly help us, but you know they are selling so much of their Nonpareil and Carmel as inshell to India. Also, Iraq is now buying more through Jordan. Shipments to Jordan are up 180%. Lebanon is up 33%. Iran is also taking product through different channels, but they are not listed on the report because, you know, officially Iran does not exist to California almond shippers. Ahmadinejad is not good for business. And even the Turks are back for more almonds this year. Their shelled shipments have exploded – up nearly 4 times over last year, but their inshell is down.

Mohamed: The Turks want to be Europeans anyway. We will not worry about them.

Suleima: Yes, Sir.

Mohamed: Bring me breakfast, Suleima. I must think.

Suleima: Yes, Sir.

2670 West Shaw Lane, Fresno, California 93711 U.S.A.
Telephone (559) 435-2664 • Fax (559) 435-8520 • www.dercofoods.com • e-mail: derco@dercofoods.com

Indian Importers Analyze the September Shipment Report

Rajiv: We only imported 200 containers in September.

Ashish: Rajiv, do not joke with me.

Rajiv: We only imported 200 containers in September! We are down 36% for the season so far and we are down 54% compared to last September. Down 54% Ashish!

Ashish: Only 200 containers....dear God...dear Gods! Start calling California!! You have everyone's mobile phone numbers. Start with Warren, but don't forget Brian...both of them. I don't care what time it is. Go, go, go!!!!...And if no one else is offering, then call Derco.

Best regards,
DERCO FOODS