

September 2012 Almond Position Report

September 2012 shipments are 155 million pounds. This is down 6% from the September 2011 shipments of 166 million pounds.

Analysis of the 2012 Almond Season

Carry-in from the 2011 crop:	335 million pounds
2012 projected crop receipts:	2.1 billion pounds <i>(accuracy of this figure is now seriously questioned)</i>
Less 3% loss / exempt:	63 million pounds
Less Shipments to date:	295 million pounds
Less commitments to date:	503 million pounds
Remaining inventory:	1.574 billion pounds <i>(assuming 1.9 billion pounds in receipts, this figure would be reduced to 1.374 billion pounds)</i>

Shipments

Shipments are down just over 6% for the month of September. This, sadly, is an intentional decrease driven by the widely held belief that this crop will not make the NASS estimate of 2.1 billion pounds. The revised estimates range from the most pessimistic at under 1.7 billion pounds to the most optimistic at close to 2 billion pounds. Most of the “experts” indicate that the crop will be somewhere between 1.8 – 1.9 billion pounds. This means not only that we cannot grow demand (which could have easily exceeded 2 billion pounds assuming no supply constraints), but that we have at least 200 million pounds less almonds to sell for the season. Assuming that we maintain a similar carry-out, this means that California will need to sell at least 300 million pounds less than it was prepared to do for the 2012 season.

Domestic

The domestic market has reacted to the lack of offers and higher pricing and is down 12% (37 million pounds compared to 42 million pounds in September 2011).

Export

Exports are down 4% - again, due to a combination of high prices and a lack of offers. The most dramatic reduction is in India, which is down 23% (6.4 million pounds). Surprisingly, China/Hong Kong is up 3% for the month, though Vietnam (another gateway to the mainland) is down 47% (2.5 million pounds). Germany is down 1%; Spain is up 14%; UAE is down 1% and Saudi Arabia is down 43%. Certainly a mixed bag and not a massive slow-down...yet.

Commitments

Domestic commitments are down nearly 8%. Export commitments are down 20%. Total commitments are down nearly 15%. This reflects the fact that California has effectively been “off the market” for quite some time as growers have been assessing the shortage and looking to offset the lack of volume with higher prices. California is trying to slow down demand and initial signs are that it is starting to succeed.

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BUYER'S PERSPECTIVE



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SELLER'S PERSPECTIVE



Conclusion

It has been a tough six weeks for buyers and for those trying to service buyers. In fact, “tough” may be a gross understatement. Since approximately the third week of August, prices have been going up virtually every day. This price increase has been based primarily on a lack of offers. Multiple processors have been withdrawn from the market due to “no grower support.” The tactic has been effective. Offers have come down to a trickle. Most of what has been offered has been booked. This has strengthened the resolve of growers and created the self-fulfilling prophecy of higher and higher daily prices. Until at least the past few days, every “tomorrow” has yielded a better price. During this fun and exciting time for buyers, NPX 23/25 has gone from \$2.55 per pound to \$3.15 per pound. In the span of 6 weeks, the market has firmed by nearly 25% on Nonpareil and 20% on BSU5%.

Buyers around the world missed the boat. Most will readily admit this. In India buyers were waiting for \$1.70 per pound inshell NP. In China they were posturing to see NPX 23/25 hit \$2.40 per pound. In Europe, BSU5% was predicted to fall close to or even below \$2.00 per pound. Sellers remember the “silence of July” and are not reeling with sympathy. Few saw the Nonpareil shortage....and even fewer noted the actual extent.

Where do we go now? History tells us that there can be additional “upside”As some of the veterans in the industry remember, in 2005 NPS 23/25 hit levels above \$4.00 per pound. As those same veterans who are still in business remember, 6 months later NPS 23/25 was \$2.65 per pound. Yes, that’s \$59,400 per container less. Quite a “downside.” The carnage was unpleasant. We are not saying that this will happen again – it’s a very different global landscape now with a much higher demand floor. The direction of this market in the coming few months will depend on the real size of this crop and on when buyers will just decide to do with a lot fewer almonds. But if you are in the nut business, you need an alternative nut to buy and sell.....

The price of most tree nuts is quite firm these days. Even the nuts that some people thought would flounder this season, like hazelnuts and pecans, are holding their own. Walnuts have shot up from the opening levels and are currently trading at roughly \$0.60 per pound higher on shelled material and \$0.25 - \$0.30 per pound higher on inshell. Inshell Pistachio prices are over \$4 per pound.

Many people feel that October will be a very good shipment month. But if most of the sales are earlier sales, they will not reflect the slowing demand which has been caused by the higher prices of the past month. This is the “delay” effect of rising prices. As we have said before, rising prices in a liquid commodity that is freely traded forward do not have immediate impact. The slowdown is like that of a freight train, not a Maserati. By the time the intended effect is reached (slowing demand to a particular percentage), the train has already passed by and there has been an over-correction. This is life. We can cry and complain...and if this will create more NPX 20/22 availabilities, please let me know. My wife will attest to my complaining proficiency. I can start immediately.

“Man is the only animal that laughs and weeps, for he is the only animal that is struck with the difference between what things are and what they ought to be.” William Hazlitt (1778 – 1830).

Best Regards,
DERCO FOODS