

### **September 2014 Almond Position Report**

September 2014 shipments are 163 million pounds. This is 8% lower than the September 2013 shipments of 177 million pounds.

#### **2014 Almond Supply**

Carry-in from the 2013 crop:	350 million pounds
2014 crop NASS estimate:	2.1 billion pounds
Less 3% loss / exempt:	63 million pounds
Less shipments to date:	304 million pounds
Less commitments:	386 million pounds
Remaining unsold supply:	1.697 billion pounds

#### **Shipments**

Shipments are down 8% primarily because California growers were reluctant to offer almonds for sale, even at record prices. Receipts are up about 19% compared to last season, but it's too early to draw any final conclusions about the crop size as the 2014 crop was harvested earlier than the 2013 crop. We will have a better idea about the crop size after the November report (which will be released on December 9<sup>th</sup>).

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

Domestic commitments are 192 million pounds, down 9% from last September. Export commitments are 194 million pounds, down 43% from last August. Overall commitments are 386 million pounds, down 30%. These decreases in committed shipments are a direct result of California's unwillingness to sell.

#### **Domestic Shipments**

Domestic shipments are down 2% at 48.4 million pounds.

#### **Export Shipments**

Export shipments are 114 million pounds, down 10% (about 13 million pounds). Similar to the shipments we saw in August, this export number would have been much worse had shipments to India not been up 40% (about 6 million pounds). China/HK/Vietnam are down about 36%. Western Europe is the same as September 2013, but Eastern Europe, with no shipments to Russia, is down 66%. Europe overall is down 9%. The Middle East is down 3% as a region, with Saudi Arabia down 72% and Turkey down 49%. UAE/Dubai is up 64% (10.38 million pounds in September 2014 v. 6.34 million pounds in September 2013).

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

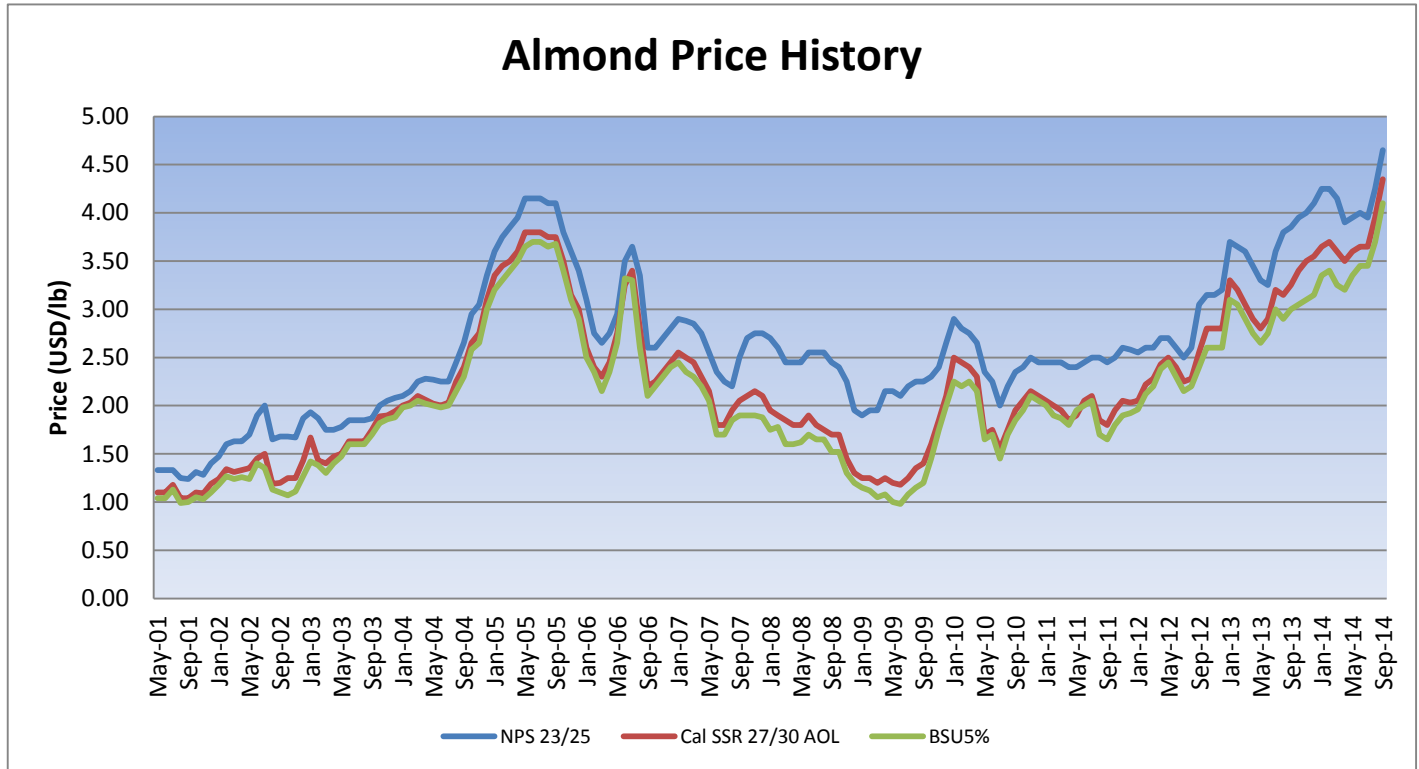
### Regional Shipments

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

	<b>August - September 2014</b>		<b>August - September 2013</b>		<b>% Change</b>
<b><u>EUROPE</u></b>	<b>Shelled</b>	<b>Inshell</b>	<b>Shelled</b>	<b>Inshell</b>	
France	2,343,030	16,514	2,549,970	0	-7%
Germany	18,411,738	0	22,472,895	95,608	-18%
Italy	4,635,700	236,104	6,670,700	341,826	-31%
Netherlands	7,150,031	0	7,450,900	0	-4%
Spain	20,348,878	87,327	25,517,934	376,701	-21%
U.K.	3,870,891	0	4,326,516	3,577	-11%
Russia	N/A	N/A	N/A	N/A	N/A
<b><u>MIDDLE EAST</u></b>					
Egypt	672,000	0	489,500	0	37%
Libya	N/A	N/A	N/A	N/A	N/A
Israel	1,212,000	188,747	168,500	0	731%
Jordan	N/A	N/A	N/A	N/A	N/A
Lebanon	N/A	N/A	N/A	N/A	N/A
Saudi Arabia	528,000	0	1,551,450	75,349	-68%
Turkey	3,062,200	1,594,043	4,256,525	6,945,665	-58%
UAE	11,864,233	2,614,692	9,930,992	2,570,789	16%
<b><u>ASIA</u></b>					
China/HK	14,595,780	16,645,943	22,093,496	27,881,411	-37%
Japan	6,617,961	14,872	6,369,097	47,828	3%
South Korea	6,144,766	0	7,142,935	61,818	-15%
Taiwan	784,750	225,516	1,018,729	129,353	-12%
Thailand	639,350	0	554,500	0	15%
Vietnam	88,000	7,770,288	352,000	5,716,126	30%
India	2,990,235	39,855,780	574,219	21,965,194	90%
Pakistan	N/A	N/A	N/A	N/A	N/A

*\*\*N/A denotes that the minimum import limit of 500,000 pounds was not reached in order for these countries to be included on the list.*

## Prices



## Conclusion

In a normal year, the September shipment report would certainly be considered a negative one that would result in lower prices. But with overall shipments down less than 10% and with no major rain expected in the weather forecast, the drought and its potentially disastrous impact on the 2015 crop will continue to guide California almond growers. We are unlikely to see any big price corrections until we first see a lot of rain in California. Rivers, lakes and reservoirs are dry. Growers are concerned about the survival of their trees. They are willing to risk a decline in prices later in the year (thus reducing their profit margins), but are not yet willing to sell their almonds for less than they think they are worth – especially if they may face a much-reduced crop next season.

Though we may see some slight weakening in prices, growers are financially very strong and have found a new sense of patience and solidarity. Processors continue to be obsessed with maximizing grower returns and remain unable to make independent sales decisions. They are essentially paralyzed – watching their neighboring processors closely and selling only small quantities when they feel that others are also selling. They are terrified of returning a few pennies less to their growers at the end of the season and consequently losing some growers to a competitor.

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As a result of the above, traditional market fundamentals do not apply at this time. In the meantime, Spain, which has a much better crop this year than in 2013, has benefited by shipping its almonds throughout Europe and largely making up for the lack of California almonds in the European market. Spanish growers are getting record high returns by happily selling slightly below California's prices. The Spanish almond industry has taken a lot of the Christmas trade business from California. It is important to remember that shipments for the 2013 season were sustained by the strength of demand from Europe, the Middle East and the US market. So far this year, these markets are down. Without great expectations for increases from China/HK/Vietnam and other large importers, it seems probable that shipments for the 2014 season will be down compared to last year.

At what point will the California almond industry reduce prices to counter slowing demand? In our opinion, prices will not drop significantly until we have more clarity on 3 factors: (1) when and how much it rains; (2) what the final crop size will be (with many growers now saying that we will not make the 2.1 billion estimate); and (3) how long shipments will stay within 10 – 15% lower than last season (and not fall more than this amount).

Our advice remains the same: buy only what you need for the short term and continue to watch the markets. No need to build inventory positions at these prices. Most traders and resellers agree, and that is why we are seeing lower prices being quoted in markets like Hong Kong and Dubai from people who are taking their profits now.

Best Regards,  
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