

### **October 2006 Almond Position Report**

October 2006 shipments were 150.378 million pounds. This is up about 35% from the October 2005 shipments of 111.927 million pounds.

Carry-in from the 2005 crop year: 112 million pounds

Objective 2006 crop estimate: 1.05 billion pounds

Less 3% loss / exempt: (31.5 million pounds)

Total Supply: 1.13 billion pounds

Less shipments to date: (319.46 million pounds)

Available Supply: 810 million pounds

Less stolen almonds: (just joking)

Seller's Perspective: Prices are going to stay firm or go up depending on demand during the coming weeks.

Buyer's Perspective: Prices are going to stay firm or go up depending on demand during the coming weeks.

### **Conclusion**

Buyers will now likely point to the following:

- The crop was late and factories were working overtime to get shipments out.
- There is not much interest now as afloat and spot goods are readily available and holiday buying is over.
- If this October wasn't going to be strong (following a late crop and missed September shipments), what month would be?
- Since the 2000 season, this is the second highest shipping total for August – October. But the highest August – October total came in the 2004-2005 season when we ended up shipping 984 million pounds and not the number closer to 1.05 billion that people believe must be attained in anticipation of the 2007 crop.
- Let's wait and see what happens in November and December.

These arguments will fall on deaf ears in California. Growers tend not to spend too much time differentiating between short term and long term bullish trends. The fact that domestic shipments are a record for the second consecutive month and that 3 of the past 6 months have set net shipping records will only strengthen their resolve to hold out.

If you were a grower and you saw 150 million pounds shipped in October, a new record (surpassing the previous record set in October 2003 of 144.9 million pounds), you would either say: "I am going to wait and see where the market goes"; or "I am going to ask for a higher price now and see if it is accepted by the marketplace...Prices are still at moderate levels compared to the past few years."

Short term, it's likely that we will see more withdrawn sellers. During the past few weeks, the impression given from Europe was that there was not an urgent need for more product and that the inventories and afloat product arriving would be enough to meet holiday demand. From the Mid East, there was limited buying of larger Nonpareils, but most clients were not willing to pay the premium asked for NPS 20/22 over 23/25. The Indian market has been active as buyers there have been paying higher and higher prices for inshell Nonpareil.

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The inshell market in China has been active also, with buyers looking for inshell Carmel, Monterey, and Peerless. Otherwise, it would seem that all origins were weary of higher prices for shelled product and were not eager to take long positions.

The extent of market strength in the coming days will depend in part on: (1) how much inventory buyers and sellers are each actually holding; (2) how much of the forward sales are in the hands of resellers as opposed to end users (and consequently, how much liquidity will exist without much origin support); (3) whether or not buying and selling will continue on a hand-to-mouth basis; (4) how aggressively California will try to push up prices; (5) where the final receipts figure will come out.

It now seems that the only thing worse than being a Republican in the United States this week is having a November – December short position on almonds.

Best regards,  
DERCO FOODS