

**October 2013 Almond Position Report**

October 2013 shipments are 228.6 million pounds. This is 3.4% higher than the October 2012 shipments of 221 million pounds.

**2013 Almond Supply**

Carry-in from the 2012 crop:	317 million pounds
2013 crop forecast:	1.85 billion pounds
Less 3% loss / exempt:	55 million pounds
Less Shipments to date:	553.6 million pounds
Less commitments:	528 million pounds
Remaining unsold supply:	1.03 billion pounds

**Shipments**

Shipments are a new record for the month of October. Records are always impressive, but records in October are meaningful because they signal a strong start to the new season. Back in October 2006, shipments were 150 million pounds. You can see the huge increase in almond demand in the past 7 years. Season to date shipments are up 7.19%. With a crop estimated to be the same size as last season, shipments need to slow down.

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

Export commitments are up 23%. Domestic commitments are down 1%. Overall commitments are an impressive 528 million pounds, up nearly 12%. Uncommitted inventory is up 5.5%, but as we mentioned last month, this is because harvest was early and progressed quickly with many varieties being harvested at the same time.

**Domestic Shipments**

Domestic shipments were very strong at 59.42 million pounds. This October was the second largest domestic shipment month ever (behind October 2012 at 61.1 million pounds). Domestic demand continues to be very strong and very important for the ability of growers and processors to maintain strong prices. When processors are able to get higher prices in the domestic market, they are less inclined to lower prices to get export business. When domestic demand is strong enough, this forces overseas markets to pay higher prices as well.

**Export Shipments**

Export shipments are 169 million pounds. This is a new record, breaking the previous record of 167 million pounds set in October 2011. Confirming what we discussed last month, there are now multiple 'power centers' that influence almond demand and pricing. For the month of October, the Middle East was up 57% (with the United Arab Emirates up 93%, Turkey up 39% and Saudi Arabia up 26%). Europe was up 12%, led by Spain (up 16%), Germany (up 17%), Italy (up 30%) and Russia (up 26%). These two regions were important in setting a new export record. In Asia, the weak numbers to China/Hong Kong (down 26%) were somewhat offset by strong shipments to Vietnam (up 84%). But compared to last season, the China/HK/Vietnam total is

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

still down over 11 million pounds. South Korea had another strong month, up 13%. Japan was up an amazing 52%. India was down 13%.

### Regional Shipments

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

	<u>August 2013 - October 2013</u>		<u>August 2012 - October 2012</u>		<u>% Change</u>
<u>EUROPE</u>	<u>Shelled</u>	<u>Inshell</u>	<u>Shelled</u>	<u>Inshell</u>	
France	4,935,613	15,750	6,609,210	0	-25%
Germany	36,126,296	125,220	32,138,685	30,636	13%
Italy	11,720,700	744,699	8,938,884	358,534	34%
Netherlands	12,170,715	0	9,599,864	0	27%
Spain	41,234,118	511,583	37,519,322	197,610	11%
U.K.	7,084,358	40,421	6,736,645	0	6%
Russia	10,577,252	218,227	10,431,391	481,545	-1%
<u>MIDDLE EAST</u>					
Egypt	788,500	0	1,027,500	125,192	-32%
Israel	406,250	109,800	615,423	0	-16%
Jordan	1,310,650	268,294	1,059,000	236,430	22%
Lebanon	1,016,650	0	1,004,500	0	1%
Saudi Arabia	2,966,050	75,349	2,059,150	26,766	46%
Turkey	8,668,075	10,269,667	3,793,941	9,054,254	47%
UAE	21,306,342	3,433,606	14,995,762	5,135,221	23%
<u>ASIA</u>					
China/HK	41,356,341	46,280,769	40,817,406	47,429,129	-1%
Japan	14,998,533	47,828	12,058,849	76,309	24%
South Korea	13,392,575	161,091	12,322,519	0	10%
Taiwan	3,276,730	319,626	2,561,788	668,228	11%
Thailand	1,102,500	0	986,200	0	12%
Vietnam	571,000	10,096,241	352,000	5,374,813	86%
India	867,919	32,693,409	1,335,218	40,174,412	-19%
Pakistan	218,000	505,656	218,000	1,215,604	-50%

### Conclusion

We are in a very interesting situation where buyer and seller sentiment are in opposition.

From the California side – growers are seeing:

- Strong shipments.
- Strong commitments.
- A busy November.
- Good prices giving most growers good cash flow and putting them in a position of strength and patience.

From the export markets – importers are feeling:

- Afraid of these high price levels.
- Unsure as to how they will pass on these prices to consumers.
- Unsure as to how profitably they will be able to sell cargo that has arrived and that is afloat.
- In many cases, retailers will not allow price increases, so this is eating away importer margins and making almonds an increasingly unattractive item for them to carry.
- Fear that slowing demand will create a big price decrease in California, where profit margins are so good that even taking considerably 'less profit' will not hurt growers to the extent that it will hurt importers who will be left holding over-priced inventory.

Everyone wants to know the following:

- Is India lost for this season? Are they going to buy 20-30% less almonds for the 2013 season?
- What is China going to do? How are Chinese New Year sales going to progress? If China is quiet again this year between January – May, how will the global markets react?
- What is happening with the water situation in California? No rain yet and no good prospects for rain in sight. Another dry winter will result in a near-disaster for California growers. If the water situation does not improve quickly and dramatically, many growers are going to take an 18-month marketing approach to this crop (instead of a 12-month approach). Because of their pessimism regarding the 2014 crop size prospects, they will not be in a rush to sell in the winter/spring months. This will keep prices firm. Buyers waiting for a correction may be disappointed.
- Are other US tree nuts going to hold their current levels? Most shelled walnuts are now over \$5 per pound. Inshell pistachios are well over \$5 per pound and shelled pistachios are over \$11 per pound. Pecan prices are still firm, though many buyers overseas expect a correction due to a seeming lack of demand. The cashew market has been relatively stable, but if enough people try to shift to cashews, how will that market react and how quickly can prices shoot up?

In the short term, we expect the Middle East to take a buying break and to work on selling the stocks in inventory and on the way from California. Shipments to the UAE were good and for a short while that region will act as a re-exporter, taking profits and selling below California's prices. However, it should be noted that 24.7 million pounds that the UAE has bought between August-October is not unusual. The UAE bought 24.1 million pounds between August-October 2010 and 24 million pounds between August-October 2011. It was only last year that the total for this period was 20 million pounds.

We expect China to come and buy again from California for November. Though Hong Kong traders are currently selling at a discount compared to California prices, the real Chinese New Year activity has not yet started. We can see from the shipment numbers to Hong Kong that the inventory level there will be very manageable compared to past years. Once demand from the mainland picks up (and we are confident that it

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will in the next 30 days), Hong Kong traders will realize that there is no need for them to discount prices by \$0.10 - \$0.15 per pound.

Europe will come back to buy after the holidays as will the Middle East, to replenish stocks for Ramadan.

Now the overall market is in the hands of California. If California sellers recognize that demand is going to slow down for the coming few months, and that the second hand markets in Hong Kong and Dubai are going to be selling at cheaper levels, their patience will keep things stable. If weaker sellers appear in California who are happy to take their profits at current prices, then we can see some weakness.

Our advice at these levels continues to be the same: buy what you need for 30-60 days and not more. Better to be safe and pay more later, than to take unnecessary risks at these levels.

Best Regards,  
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