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November 2008 Almond Position Report

November 2008 shipments were 118 million pounds. This is down about 9% from the November 2007 shipments of 129.5 million pounds.

Analysis

Carry-in from the 2007 crop year:	231 million pounds
2008 Objective Estimate:	1.5 billion pounds
Less 3% loss / exempt:	(45 million pounds)
Total available supply:	1.686 billion pounds
Less shipments to date:	509.7 million pounds
Remaining supply:	1.176 billion pounds

Receipts

Seller's Perspective: Since the 2003 season, we have received on average 88.6% of the almond crop through November 30. Applying that average to receipts so far would indicate that the 2008 crop will be around 1.49 billion pounds which is very close to the CASS estimate of 1.5 billion pounds.

Buyer's Perspective: Big crops get bigger. *Buyers 1 – Sellers 0.*

Shipments

Seller's Perspective: Since the 2003 season, we have shipped on average 40.2% of our crop through November 30. Applying that average to our shipments so far would indicate that we are going to ship around 1.27 billion pounds through July 31, 2009.

Buyer's Perspective: Last season's shipment total was 1.261 billion pounds. If this is indeed the projection for shipments, California is going to have a carry out into the 2009 crop of 415 million pounds. At a 10% increase in shipments over last season, California is going to have a carry-out of 300 million pounds. Do you know of anyone in their right mind who thinks that consumption of nuts in this global economic environment is going to go up by 10%?¹ Of course not. So then who cares about the 2009 crop, when the best case scenario is a 300 million pound carry out? Talk of drought? Snow? Sleet? Ice? We all know that there are plenty of almonds to sell this year and next year. We all know demand is slow. That is why BSU5% is \$1.25 per pound from origin with limited buying interest. *Buyers 2 – Sellers 0.*

Commitments

Seller's Perspective: Committed shipments are up 6% over last year.

Buyer's Perspective: Uncommitted shipments are down 33% over last year. *Buyers 3 – Sellers 0.*

Export

Seller's Perspective: Export sales are virtually unchanged. Western Europe² is down 14%. This is offset by Eastern Europe being up 17%; the Middle East being up 17%; Asia being up 33%. Our predictions a few months ago of China taking much more tonnage have materialized – though that market is slow in digesting its new levels of imports. The Indian market will also soon need to import more inshell for January onwards.

¹ Walnut growers don't count. The strength of their acumen and understanding of global supply/demand was proven when they set the opening prices mid-September.

² The world's most vociferous region which likes to advertise a below-market 20 ton BSU5% trade with the same fervor as an evangelical minister denying his involvement with an under-aged male masseur.

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Buyer's Perspective: Wait until the December shipments come out and the numbers catch up to reality. *Tie – to be determined next month.*

Domestic

Seller's Perspective: Not a very good showing; down 25%.

Buyer's Perspective: You are the masters of understatement. But wait...don't people snack more on luxury foodstuffs when they are sitting at home, can't afford to go out to dinner, are at risk of losing their home and have watched their investments shrink by over 40% in the last 6 months? Isn't that what California would have us believe? Seems Americans are not buying it. Literally. *Buyers 4 – Sellers 0.*

Conclusion

It would be a losing battle to try to paint a rosy picture of the world's commodities markets now. Virtually everything, except for the hourly rate of bankruptcy lawyers, is going down. The economic woes of the US, Europe and Asia are well-chronicled and there is no need to relive them in this report. Needless to say, the grim economic picture seems to be taking its toll on the demand for nuts.

It's been a long time since we heard people quietly hoping for no rain and a bad bloom. This is the case not only on the supply side in California, but also on the buying side in many overseas markets where importers are receiving higher priced goods against what can most optimistically be described as "lethargic" demand. Few people on either side want to see this market drop lower. This is no longer an "affordability" issue but a confidence issue: confidence both in California willing to hold the line in regards to price; and confidence in demand coming back in most markets.

What bullish factors are out there? Not too many.

- Possible water shortage affecting the size of the 2009 crop.
- Possible inability of Nonpareil trees to set another good crop.
- The real possibility of the weakening of US Dollar as the US Treasury prints huge amounts of new money to underwrite the countless bailouts (or "bridge-loans" for the sensitive among you).
- The fact that on small Californias and BSU5%, the current market price returns less than \$1 per pound to growers. This is seen as a resistance level by many.³
- Knowledge that demand at the consumer level has not fallen off a cliff. Rather, it's the caution of importers, who want to avoid finding themselves in a long position, coupled with the short selling of traders, that is impacting the short-term demand for almonds the most.
- Most global markets are uncovered for the January – August period.
- No one really knows when they have seen the bottom of a market. Often, time spent at the bottom is brief with a quick rebound to follow.

The sentiment overseas is that California has today, and will have next year, plenty of almonds to sell. It will take some time to work through the economic uncertainties and the new supply paradigm, but the market will again go up – it always does.

³ Resistance levels sound good, but are only effective when they are based on short term factors, with some type of relief in sight, and with cash in the hands of the "resisters." Long term resistance is a myth – and comes in the way of trees being pulled out and people going out of business.

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In these tough global economic times, we remember the words of General George S. Patton as we contemplate what to do in the United States: "A good plan, violently executed now, is better than a perfect plan next week." We simultaneously remember the anonymous quote: "If you really do put a small value upon yourself, rest assured that the world will not raise your price."

Holiday Bonus Section

Top 10 things that will be overheard at the Almond Board Conference in Modesto this week:

10. I should have taken those \$1.60 / lb standard bids.
9. I should have taken those \$1.50 / lb standard bids.
8. I should have taken those \$1.40 / lb standard bids.
7. I should have taken those \$1.30 / lb standard bids.
6. Can I please get a standard bid?
5. I thought I had enough bins.
4. Do you know the name of a good lawyer in.....(pick your country)?
3. Who would have thought that paying \$18,000 per acre for an almond orchard was a bad investment?
2. Did you hear that they may not be making Hummers any more?
1. At least we're not in the walnut business!⁴

Best regards,
DERCO FOODS

⁴ For information on how to drop your pants like a pro, please see a walnut handler near you. They will be happy to give you a tutorial (hopefully not a pictorial).