

### December 2015 Almond Position Report

**“It is dangerous to be sincere unless you are also stupid.” George Bernard Shaw (1856-1950)**

December 2015 shipments are 135.4 million pounds. This is 11% less than the December 2014 shipments of 148 million pounds.

### 2015 Almond Supply

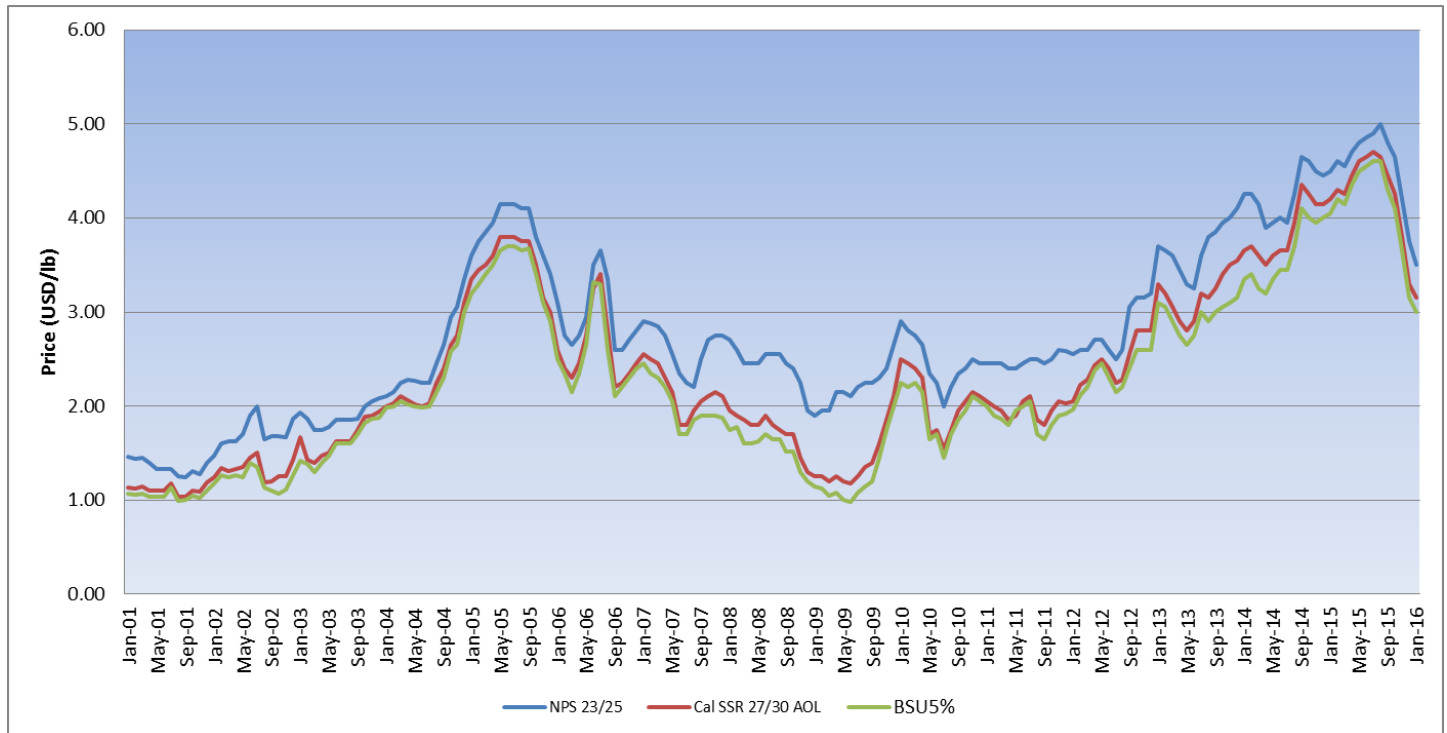
Carry-in from the 2014 crop:	376 million pounds
2015 crop size:	1.85 billion pounds
Less 2% loss / exempt:	37 million pounds
Less shipments to date:	707 million pounds
Less commitments:	417 million pounds
Remaining unsold supply:	1.06 billion pounds

### Receipts, Shipments & Inventory v. 2015 Season

Receipts:	+2.47%
Total supply v. 2014 season:	+4.17%
Shipments v. 2014 season:	-11%
Uncommitted inventory:	+15.52%

### Prices week of January 11, 2016 v. August 2015

BSU5	-35%
Cal/Butte/Padre SSR 27/30	-35%
NPS 23/25 Price	-30%
Inshell Nonpareil	-30%



## Conclusion<sup>1</sup>

Day after day of nothing but negative global economic news is taking its toll. The US economy remains one of the very few bright spots. Here is how the USD has appreciated against some of the major global currencies between January 1, 2015 and December 31, 2015:

USD v. Euro	+ 11.33%
USD v. British Pound	+ 5.52%
USD v. Chinese Yuan	+ 4.72%
USD v. Japanese Yen	+ 0.84%
USD v. Indian Rupee	+ 4.81%
USD v. Korean Won	+ 7.49%
USD v. Turkish Lira	+ 24.90%
USD v. Iranian Rial	+ 11.48%

Prices now have reached the levels of March 2013 and after this month's position report, are likely to fall further. This is no longer a discussion of price. It's purely a discussion of confidence. Where is the industry leadership? Why should reputable buyers be held to their contracts when the crooks are renegotiating successfully? The discipline needs to come from California. The confidence needs to come from California.....Yes, the same California that was swearing throughout the Summer and into early Fall that this crop would not make 1.8 billion pounds and that is now swearing that this will be an El Nino impacted bloom that will result in a sub-par 2016 crop. The prize for believing California's propaganda during the past year? A contract concluded two weeks ago that is today \$0.30 per pound over market and a contract signed in September that is now \$1.50 per pound over market. Who could turn down such a deal?

So if a grower was hesitating to sell NPX 23/25 at \$5.00 per pound in August, why is he now pushing his processor to sell at \$3.50 per pound? Does a 1.85 billion pound crop, as compared to an expected 1.75 billion pound crop, justify a difference of \$1.50 per pound or \$66,000 per 40 FCL? If it does, then what is the defense of those who were vigorously spreading crop size information as though it were objective fact, when in reality it was clearly nothing more than personal conjecture coupled with lemming-like, industry-wide repetition? There was no malice to be sure. Nevertheless, the bravado of a 1.7 billion pound crop, the ensuing 'withdrawal' from the market, and the false confidence that this combination engendered, has resulted in difficult losses to countless companies around the world.

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<sup>1</sup> The conclusion section this month is what they call [being on a soapbox](#). Perhaps even a 'holier than thou' soapbox. We recognize it and we agree with anyone who feels this to be the case. We accept this criticism leveled at us....still, it is cheaper than institutionalization or incarceration, which were our only viable alternatives. It was our hope that some other industry leaders would take on this mantle, but we have not been so fortunate. So the burden falls upon you, dear reader, to evaluate the merits of this rant, which has gone through multiple iterations in order to be printable. As usual, the donkey references have been edited out despite the vehement objections of the author. You would think that ownership has its privileges; but at Derco, you would be wrong. See you on the other side.

Buyers cannot in good faith be asked to jump back into a market where prices are falling daily and where California is showing little discipline in marketing the crop. The experience of the past 5 months reminds us of the quote by Winston Churchill, who speaking about international politics noted: "There are no eternal friends or eternal enemies, only eternal interests." The commercial adaptation of this quote is: "In business, there are no eternal friends or eternal enemies, only eternal company interests." If you speak with individual processors, they will tell you that they are unhappy with the situation, that they do not want to participate in the falling market, but that they feel compelled to do so because they have to be competitive in their grower returns and every day that they are waiting is costing them in this regard. The California Almond Exporter Association (aka CAEA; aka The Liars' Club) and its bullish rhetoric in rising markets is nowhere to be found these days. Company interests trump industry unity. We're all living the proof.

We all know that markets rise and markets fall. That is the commodities business and whoever does not like it should not be in the business. But what is fully within California's control is the rules by which the game is played. When the rules are "cut the best renegotiation deal you can in private" or "this guy is going to leave the loads at the port, I need to give him discount," then the game is not being played on a level playing field. And that creates a level of resentment among the reputable players that supersedes all other variables.

One day the tree nuts industry will find the courage to have an official blacklist that publicly calls out the defaulters. Instead of doing it piecemeal, with worried processors and traders engaging in stealth back and forth emails asking about this company and that company's solvency and status, we will put this information out in the open for all to see. Hopefully the INC is ready to tackle this topic seriously after the carnage of the 2015 season in both almonds and walnuts. Otherwise, the commodity charts and annual statistics that are going to be shown in San Diego, the same ones which could be sent by an email and reviewed in private, are going to ring even more hollow this year than they have in years past. Industry members want fairness. If a contract ceases to be a contract simply because someone is not happy with the end result, then it would appear that some of us are playing this game with our arms tied behind our backs while others are running free with impunity. As long as the reputable majority is silent, crooks will continue to dictate the rules of this game and the disincentive to play the game by the rules will become too attractive for too many. And that will be a shame.

"Honest criticism is hard to take, particularly from a relative, a friend, an acquaintance, or a stranger."  
Franklin P. Jones

Best Regards,  
**DERCO FOODS**