

January 2007 Almond Position Report

January 2007 shipments were 85.2 million pounds. This is up about 35% from the January 2006 shipments of 63.3 million pounds.

Carry-in from the 2005 crop year: 112 million pounds
Receipts through January 31, 2007: 1.092 billion pounds
Less 3% loss / exempt: (32.7 million pounds)
Total Supply: 1.171 billion pounds
Less shipments to date: (610 million pounds)
Less estimated carry out: (120 million pounds)
Available Supply: 441 million pounds

Shipments

Seller's Perspective: Another month goes by, another record falls. If only finding the right color Hummer and matching ostrich skin boot combination was as easy as breaking almond shipment records. 5 of the last 9 months (including 3 of the last 4) have set net record shipments (domestic and export combined). This mark of 85.2 million pounds for January eclipses the previous record of 81 million pounds set in January 2003.

Buyer's Perspective: The January figures are impressive, but expected. This market has been anticipating the higher figures for several weeks now and yet overall demand has been sluggish at best for the majority of January. Buyers in Hong Kong are trying to sell their stocks to Europe. Second hand is discounting product to sell afloat goods and spot inventories in order to generate cash. No one seems to fear that almonds are going to run out. By the way, isn't this also the largest almond crop in history? We're not all economists, but don't you need record shipments to move a record crop?

Receipts

Seller's Perspective: Through January 31, the crop is on average 98.9% received. Assuming that this average holds for this season also, the final number will be 1.104 billion pounds. This figure is not a surprise.

Buyer's Perspective: Since we have heard all year that the crop is late and that hullers were working well into January and some potentially even later, is it possible that the average will not apply to this year and that you may still have more than 1.1% left to receive?

Commitments

Seller's Perspective: 6 months to go and a total of 561 million pounds total left to ship, assuming no carryout. Even in such a theoretical scenario where there is no carry-out, we would have 93.5 million pounds to ship per month until the start of the new crop in August. Our average for the first 6 months of this 2006 season has been 101.7 million pounds a month. In case you are thinking of checking, yes, it's a record....surpassing the 98.8 million pound average for the first 6 months of the 2004 season.

A quick calculation:

+ 561 million pounds left to ship
- 253 million pounds of committed inventory
- 120 million pounds to carryout to the 2007 season
= 188 million pounds of new business to do over 6 months (31 million pounds / month)

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Ignoring the committed inventory, we are left with only 441 million pounds to ship – or 73.5 million pounds a month until new crop. Take out the committed shipments and you are left with 188 million pounds of new business to book during the next 6 months. That's 31 million pounds of new business a month.

Buyer's Perspective: What portion of your committed shipments is to traders and importers who are going to in turn sell to end-using industry? You may not be as low on inventory as you think. Furthermore, for the past 7 seasons (going back to 1999), the shipment average for the last 6 months of the season (February – July) has been 61.6 million pounds. The highest average shipment for this period was 74.4 million pounds, set in the 2003 season (February – July 2004). Prices during this period were considerably lower than today – with NPS 23/25 between \$2.15 - \$2.30 / lb and BSU5% between \$1.95 - \$2.05 / lb. (Note: The exchange rate in Europe for that period was €1 = \$1.216.)

If you still think that you can match the 74.4 million pound average at current levels, go for it. But you may have a harder time than you think, especially with a potentially huge crop around the corner. And even if you do match it, you will still have a carry-out of 115 million pounds. Not high, but not “sold out of almonds” either.

Domestic

Seller's Perspective: Almonds Are In, they're out, they're everywhere, baby! 5 consecutive months of record domestic shipments; 6 of the past 8 months have set new records. Domestic shipments are up 22% compared to the same period last season. A memorable ad several years ago used to ask for consumers to eat just a can of almonds a week – that's all. Well, it seems like this wish has come true.

Buyer's Perspective: Impressive numbers. Keep up the good work.

Export

Seller's Perspective: Exports are up 29% compared to last season. Surely not all this stuff is afloat or sitting in warehouses as you would like us to believe.

Buyer's Perspective: Shipments to Costa Rica are down. That's an ominous trend....you know the saying “As Costa Rica goes, so goes the almond market.” Well, it's not a very well-known saying just yet, but it is sure to be soon. Keep your eye on Costa Rica.

Prices

Seller's Perspective: 52% of the 2006 available supply has been shipped and 74% has been shipped and/or committed. A friendly reminder in case you forgot - we still have 6 months to go in the 2006 season. If prices fall, they are going to fall based on emotion and anticipatory discounting (of a potentially very large 2007 crop), not based on current market fundamentals.

Buyer's Perspective: Prices have come down in the past few weeks based on no new information. This January position report is just saying what you all in California have been saying for the past 3 weeks. So why can't you move BSU5% at \$2.50 / lb? Why are you discounting afloat and spot loads? Why are you taking discounts for prompt shipments? Either you think you are very comfortably sold, or you don't.

Bloom

Bloom is expected to be under way on the earliest varieties (Nonpareil/Sonora/Fritz) in the south of the San Joaquin Valley within 2 weeks. The long term weather guessers are saying that the weather for bloom will be better than average. Tune in to your favorite field camera at your leisure to watch the California sunshine and the hard-working (but well-paid) bees at work.

Conclusion

The shipment numbers continue to be impressive and to surprise many people.

Factors to consider in moving forward:

- The degree of long positions held in the trade and the prices at which those positions were taken. This will affect how much of the end-user demand for March-July actually makes it back to origin.
- The final receipts figure and whether or not this will exceed 1.1 billion pounds to a significant degree.
- The impact that bloom will have on the current prices. What will a “very good” bloom do as opposed to a “good,” “marginal” or “poor” bloom?
- Whether the dramatic market fall and subsequent rise that we had between October 2005 and July 2006 will be remembered (when it became apparent to people that you cannot consume an upcoming crop) or if the sheer weight of a pending 1.2 or 1.3 billion pound new crop will bear enough pressure on the current crop to weaken prices.
- The impact of the European Union's final decision on the “Special Conditions” to be imposed on California Almonds shipped to the EU. Considerations will include (a) the time at which mandatory testing will begin on product arriving without a VASP (Voluntary Aflatoxin Sampling Program) laboratory certificate; (b) the flexibility that will be given to California laboratories that are in the process of getting approved by the USDA, but which do not yet have certification; (c) where and how these costs will be borne. We will know more on some of these points shortly and will update you.

Not knowing the answers to the points above neither disqualifies you from participating in this industry, nor from voicing your own opinion. “The difference between fiction and reality is that fiction has to make sense.” That’s a quote from the author Tom Clancy, not an almond trader looking back at the past 36 months!

Best Regards,
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