

January 2008 Almond Position Report

January 2008 shipments were 97 million pounds. This is up about 14% from the January 2007 shipments of 85.2 million pounds.

Analysis

Carry-in from the 2006 crop year: 133.9 million pounds

2007 Crop Receipts: 1.357 billion pounds

Less 3% loss / exempt: (40.7 million pounds)

Total Supply: 1.45 billion pounds

Less shipments to date: (697.8 million pounds)

Less estimated carry out: (200 million pounds)

Estimated Remaining Supply: 752 million pounds

SPECIAL EDITION – A TRIBUTE TO THE AMERICAN POLITICAL AND ELECTION PROCESS¹**Shipments**

Republican Seller's Perspective: *[Note to Self: Learn from the politicians running for office now. It's all about the spin. What people think has happened or must happen, will happen....you just need to be convoluted, verbose and sincere sounding enough.]*

This is an amazingly good number, considering the myriad of circumstances that would have warranted a smaller number to have been realized during such a fractious, disjointed time period. Record shipments of an amazing commodity. A 14% increase dear friends, when many doubters of little faith felt that an increase could not be achieved. A surge in shipments, when few felt that a surge would succeed.

Let us remember that we accomplished this feat while facing a dearth of container availability. We continue our struggle against uncooperative transportation organizations who are more concerned about the subsidized welfare of their entitled work forces than in rendering a needed service to their global clientele. The transportation challenges that we have faced, and that we will continue to face, are many, and they have curtailed shipments. Dare to dream of where shipments would be without these difficulties.

The Shipping Axis of Evil: Maersk, Hapag-Lloyd & Zim *[or insert any 3 shipping lines here; virtually all ocean carriers qualify]* is formidable. But friends, know that we will come out victorious. We will do so because we know that we have the unfailing, unwavering, and unified support of customers like you! People working in difficult environments, against terrible odds, who cast aside their daily burdens and remind us, day after day, that we, the California almond industry, and our welfare, is what matters. You humbly, and accurately, acknowledge one simple truth: that it is from the fruit of our trees that the marzipan, turrón, dragée, and nut mixes derive. It is from the seeds that we plant and the trees we nurture that the economic bounties trickle down, eventually, and hopefully, also to you.

¹ In this edition we take a satirical approach to our political system and caricature the extreme views held by both the Republican and Democratic parties and some of their candidates who were/are running for President of the United States. We are sure to offend someone in this report. Two disclaimers: (1) If you are not interested in American politics, skip this report. (2) If you tend to get offended when someone does not agree with your political or religious views, or if you are looking for a substantive, heavy on analysis almond report, this time we're not the read for you. We are certain that there are going to be numerous California reports that will be out this month telling you why almond prices are going to go up. And there are going to be a lot of European reports saying why prices still must come down. Read those and just throw ours away or delete it. After all, you didn't pay anything for it!

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Yes, the shipments will continue to improve. They must. They must for the benefit of us all! For every nut's existence is valuable. Every nut's shelf-life must be safeguarded. We cannot and will not leave a nut behind. We cannot, for the sake of discounting, selling quickly and getting out of the market, damage the self worth of our industry or the value of our product in the eyes of other agricultural commodities. We cannot seem weak or undetermined, selling cheaply now when there are six long months ahead until the next harvest. We cannot undermine the strategic positioning of our growing regions, the inherent benefit we gain from our inflated land prices. We cannot curtail our consumption of luxury imported goods, automotive and otherwise.

And of course, let's take a moment and acknowledge the work of our migrant laborers. Our friends who have crossed our southern border, who day in and day out do the necessary work to line our pockets, while trying, often in vain, to improve their lives in the process.

So let us all work towards these goals with unity, harmony and Exxon-Mobile stock in hand. The world will be a better place for us as almond shipments continue to break records. Let us all work to make it so! Let us all work to ensure it is so!!! [*At this point, bless the listeners and your country....this is obligatory to give validity to any closing*].

Democratic Buyer's Perspective: On January 5th, the moon passed 7° south of Venus and on January 21st, Mercury was at its greatest eastern elongation (of 19°).² Friends, need we say more? We need not, but we shall, nevertheless. Remember, we are Democrats known for our verbosity, and our ineffective governance based on specificity lacking, idea-less, amorphous political utopian agendas!

When is the Almond Board's reporting focus going to change from shipments in general, to shipments to the underprivileged? What of those who cannot afford almonds? How long are you going to be only the voice for the "haves?" How long are you going to only be the voice for letting people know about "records"; the only voice for the "economically rational" theories of supply and demand? What of the emotional arguments that appeal to the masses? What of the "have-nots?"

When will you bring these prices down, California growers and shippers? How long must the disenfranchised masses yearn for almonds? Isn't everyone entitled to eat almonds, regardless of shipment strength and supply allocation? Why do you discriminate against those who don't have a job and have no interest in getting one in order to be able to afford luxury foodstuffs? It's easy to blame labor unions and environmentalists for all your shipping troubles. It's easy to blame them for port congestion which leads to pollution, which in turn leads to added fees and taxes at each turn. Shipping lines are adding bunker surcharges, currency adjustment factors, container repositioning costs, and asking you to absorb their bad business decisions and mismanagement costs. Labor unions don't want to embrace technology for fear of losing their stranglehold on our nation's ports and waterways. And? Where is the crime in any of this? In fact, where is your shame for pointing this out? A crane operator at the port of Oakland scraping a living making \$100,000 per year.³ Who cares about him? Who cares about his family? Waiting in line for welfare checks and food stamps is not as easy as it looks. Having 11 kids out of wedlock, while trying to make a living selling low grade narcotics on the street corner is time consuming. Where is the support for the downtrodden, the unfortunate and the hard-work challenged? Where are the almond shipments for those taking government checks at the bottom of the pyramid? Where is their Nonpareil Supreme??

² Astronomical Society of Brunei Darussalam.

³ This is not an audited figure.

Receipts

Republican Seller's Perspective: Aaahh, the receipts. How we cherish and value them. They are our lifeblood. What is an almond report without the receipts column? How hard it would be to project carry-outs without receipts! One without the other...like Sonny without Cher, Sarkozy without Bruni....we digress.

As we look at the receipts, we see that they are good. And we are pleased. 1.357 billion pounds – in line with our expectations, just slightly above the CASS estimate of 1.33 billion pounds, and necessary to meet the growing global demand. Of course, compared to higher expectations they seem low. But certainly compared to lower expectations, they are ample. The important thing is that these receipts must be sufficient to meet the global demand, while ensuring an adequate supply remains at the disposition of sellers should the demand paradigm suddenly shift upward, causing an imminent receipt-induced pricing crisis. Though it seems that the receipts this season will be ample to satisfy demand, what can be said about the future? What is in store for us at bloom time? How are we going to ensure that we keep growing enough almonds to feed what is becoming an insatiable domestic and international demand for this great, proud, American nut? That is the question – at least one question among many – that we must all ponder. Let's ponder together, without race, religion, or class divisions. Unified pondering, with the pondering agenda set by us, is so much healthier than divisive pondering, which may lead to results that we do not like. And that would certainly be unpatriotic.

Democratic Buyer's Perspective: Receipts are an indication of what we have available to work with...what we must make available to all, without exception. They are akin to taxes or revenues, which must be enforced selectively on the hard-working well-to-do, and distributed disproportionately to the uneducated, poor-decision making individuals often of average to below-average intellect. These are not hand-outs, these are entitlements!

When we look at these receipts, we see plenty. But do we see equality? Do we see fairness? Do we see compassion? No – no friends, we see none of these things. We see continued greed, greed and more greed. We see the rich getting richer and the poor getting poorer. Do we see reductions in price? Do we see concessions to buyers so that they can make larger profits? Do we see any reaching out to the masses? No – no friends, we see none of those things.

Well, it is time for Change! It is our duty to ensure that these receipts find their way into the kitchens and lunch boxes of every average worker, into every middle and low-income household, no matter how undeserving. Our parents worked in coal mines, on railroads, and in fields. They wanted their share of the receipts, but they were working extra jobs just to keep peanuts on the table. They could never dream about affording almonds. All they wanted was for us to have a better life than them. So now that we are privileged lawmakers, living on taxpayer money, getting gifts from lobbyists and special interests, and putting in grueling 3 hour work days, it is our duty to make sure that the hypocrisy of our welfare programs are disguised enough to make them look like sincere charitable works from people who are "just like you." Where we live does not matter. Our Ermenegildo Zegna suits, our Patek Philippe watches, Tiffany diamonds, our silk sheets and exotic cars, the size of our bank accounts, our blue blooded European lineages or our robber baron ancestors....these are all Republican created distractions that only result in the loss of our credibility! We want to help the poor eat almonds, as long as it does not infringe on our comfort or lifestyle. You, growers and shippers, are the ones who need to lower your profits and sell almonds to us cheaper. We are providing a big service to you by creating the bigger government and convoluted bureaucracies to get the almonds to where we think they are needed. We cannot sacrifice our profit margins in the pursuit of this noble activity.

Commitments

Republican Seller's Perspective: Friends, is there anything more important than commitment? Of course the commitment must be one that is condoned by a Judeo-Christian belief system otherwise it is not a commitment, but a perverse "alternative" lifestyle which will lead to certain damnation. We know the will of the Almighty and we know how to engage in selective reading of holy texts. But again, we digress...Commitments, promises, pledges, vows - they are the foundations of pure magic, the unifying glue that binds us all to what we want you to believe and how we want you to live your life.

We look at these commitment figures and we see joy. Pure joy, brothers and sisters. Domestic commitments up 25%. Export commitments up 34%. Overall commitments up 30% over last year. Six months to go and a total of 752 million pounds left to ship. Taking out a 200 million pound carry-out, that leaves 552 million pounds to ship. Further deducting the committed inventory of 328 million and all that's left is 224 million pounds to sell. That's merely an average of 37 million pounds per month of new sales. Last year, between February and July of 2007, our great state of California shipped 76 million pounds per month. So assuming that only half of each month's business is going to come from new sales, we are already on target for a very reasonable carry-out. Fiscal responsibility suggests – no, fiscal responsibility mandates - that we maintain firm pricing to ensure a smooth transition into the new crop.

Democratic Buyer's Perspective: And the mentality of exclusion, not inclusion, persists. Why are we distinguishing between committed and uncommitted? Isn't the entire crop meant to be disposed of equitably and to all who want to consume almonds? When are these labels going to be cast aside in favor of equality among all with merit being given to the merit-less simply because we think it should be so? Why can't the committed and uncommitted coexist in harmony, with universal healthcare, subsidized education, chocolate coated almonds and lottery winnings for all?

The numbers show an uncommitted inventory of 423 million pounds. The numbers show 37% more uncommitted almonds than last year. This is undeniable proof, despite your manipulation of the figures and distortion of the facts, that there are still plenty of almonds to go around. We should reach out and hand our fellow Americans some almonds; we should make them affordable, we should make them crunchy and we should make them only in America!

Domestic

Republican Seller's Perspective: God bless the USA, the domestic market, our inextinguishable beacon of hope for a select few. Domestic shipments are a new record at 29.1 million pounds, breaking the previous record set last January by 18%. Our Statue of Liberty says: "Give me your tired, your poor, your huddled masses yearning to breathe free, the wretched refuse of your teeming shore. Send these, the homeless, the tempest-tossed to me. I lift my lamp beside the golden door." Unfortunately, the second portion is not so well known: "Let them come from Europe on ships and live lives of privilege. Let them come from Mexico on foot. Let there be a wall (or at least a strong fence) built along our southern border, and let only those come in who work in the fields, run our harvesters, man our sorting lines, and build our bins. Let them wash our dishes, tend to our gardens and clean our homes...and only temporarily. For we, the entitled ones who look more alike, and who came earlier because our grandparents or great-grandparents were lucky and/or desperate, will incessantly find ways to pretend that immigrants are taking our jobs and stealing from our governments, without contributing in taxes. All the while, our students are becoming increasingly disrespectful, the value we place on teachers is diminishing, and our children are populating malls, playing video games and spending money they have not earned. Most have never seen an almond tree and are certain that almonds are made in a factory – after all, how could they otherwise be so similar in shape? For them, the mere thought of harvesting a crop would be tantamount to cruel and unusual punishment. Nevertheless, let all the citizens of our great land rise up and pretend to want to do the menial jobs that we now pretend are being stolen by the

unwelcome. As long as our economy is doing well, America will remain (at least in our tourist brochures and chamber of commerce publications) as the land of opportunity for all!

Democratic Buyer's Perspective: God bless the USA, the domestic market, the beacon of hope. Oh how much more this market could be, if it was the market for everyone, and not just the market of the privileged few. Where is it written that an African-American, a Latino, or an Asian does not have the same almond-purchasing rights as anyone else? We don't mention the Native Americans, as they are now all multi-millionaire casino owners. We don't mention the Indians from India, as they are all doctors driving Mercedes Benzes and their ITT rejects are filling the halls at MIT and Harvard.

Yet what about the barriers that remain in place? What about the exclusive pricing? You want us to take into account your higher costs of production, manufacturing, transportation. You want to factor in the rising costs of farming; the rising costs of labor; the increased burdens imposed by the government on your health and safety standards and the increasing minimum wages and costs of doing business in California. These are all distractions. They are smoke screens that prevent people from seeing the real issue which is: we want you to make less money and to lower the cost of your product so that less successful people can enjoy the fruit of your labor. The fact that there is a rising middle class who has a higher standard of living now, and greater purchasing power in real terms compared to any other time in our country's history, is irrelevant. If we pretend that people are doing well and that poverty is not an inevitable condition of life for a certain percentage of the population in any society, then we would lose our campaign contributions and have to get a real job.

Export

Republican Seller's Perspective: When we look at the shipment report, we see the positive effects of our foreign policy and of the fact that we are embraced around the world as a beacon of hope, an example of tolerance and righteousness, a peaceful nation who uses its might only in our own defense, or only in the aid of the oppressed. We don't invade sovereign countries for our own self interest or for ensuring a steady supply of a steadily decreasing energy source. We bring freedom. We bring almonds.

Judging from the figures for January, we certainly brought a lot of almonds to the world: 68 million pounds to be exact. That is a healthy increase of 12% over January 2007. We listened to our European friends who said: "You must lower prices; there is no demand." "You must lower prices, your carry-out is going to be too big." "You must lower prices, the currency advantage is meaningless and already factored in." "You must lower prices as industry is covered and there is not much more buying to do." We heard these statements but we did not falter. We did not lose faith. We did not lose hope of the American Dream! We stayed the course. We fought the fight. Now look – the market is improving, inventory is manageable, progress can be seen on all fronts. Our patience and our sacrifice paid off. The \$1.75 per pound blanchable standard will soon become \$1.80 per pound; maybe more. Dare to dream. Dare to dream the American Dream!

Moreover, when we travel around the world now (those who don't travel, like our foreign policy experts, watch the Travel channel), we see opportunity. We see new markets. We see rising middle classes in countries we can't find on the map. We see previously marginalized, oddly colored people with names we cannot pronounce, improving their lot through their hard work and persistence. And in the process, they are improving our balance of trade! We see new consumers of almonds and almond products. We see developing markets for previously unappreciated small sized California/Butte/Padres - not that we have too many of those or are worried about moving them before the new crop comes. We see these things and we smile. We smile to know that in India and China alone, the middle class of each of those countries is eclipsing the entire population of the United States. Yet their per capita consumption of nuts has lots of upward potential. We see opportunities to introduce wholesome and nutritious California almonds to the malnourished, insignificant people who we will embrace and who we will pretend are important to us. Though their countries are not resource rich, the simple

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fact that they will increase global demand for almonds, which will subsequently result in higher almond prices, is enough for us to sing their praises (and to look for their countries a bit harder on the map.)

Democratic Buyer's Perspective: When are we going to stop worrying about the rest of the world and do what is right for America and the American worker? Why do we need to think about market efficiencies and about the allocation of resources and production to the most efficient global producers? Why are we losing jobs to places that produce things more cheaply? We want the cheap LCD televisions from Wal-Mart, but we don't want free trade agreements and we don't want to see the fall of organized labor. We don't want to maximize efficiencies in our factories but we want to keep raising the minimum wage. We want to continue living in the past – at a time when we were the industrial capital of the world. We want to ignore rapidly changing global realities and cling to an idealized past. To help our cause and muddy the issue, we will occasionally seem scandalized to learn of indentured servitude, child labor, and discrimination based on gender or religion in overseas factories. We will vociferously preach against such vile practices of outsourcing to immoral overseas companies, all the while hoping that our stock holdings in these very companies will not become public knowledge.

We choose simply to believe, rationality and reality aside, that every single American should make a living wage, have subsidized health care, access to good schools and Starbucks. And the almond growers and shippers, who have been successful due to their toil, the risks they have undertaken and the jobs they have created, should pay a disproportionate share of the tax burden while simultaneously discounting the price of their product so that more people, who do not have the means, can partake in their product.

Prices

Republican Seller's Perspective: Instead of focusing on prices, we need to focus on the intrinsic benefits that are derived from consuming our product. Better health, satiety, an overall feeling of wellness. Though prices after the January figures are likely to stay firm or even go up, ultimately price is immaterial. Anyone who wants to afford almonds can find a way. That is the American Dream! Dare to dream it!

Democratic Buyer's Perspective: Price - the subversive barrier preventing the masses from enjoying the blanched slivered almonds on a freshly baked croissant. Where is the justice in this world if every man and woman cannot enjoy an almond biscotti while sipping a double espresso? There is no justice, my friends. None to be found.

Bloom

Republican Seller's Perspective: You say bloom, we hear prosperity for all. The blossom on a tree is representative of the blossoming opportunity we all have in this great country of ours. All we need is for government to stay out of people's economic lives while entrenching themselves in their personal lives and dictating selective morality. Let corporations run efficiently and with the least amount of regulation. Then bloom will take care of itself and the worthy will have all the almonds they can afford.

For those among you who insist on some factual information, we would say that bloom is expected to start in late February. Long-range weather forecasts indicate average bloom weather at this time. Nothing fantastic, with overall wetter and windier conditions than last year at least at the beginning of bloom.

Democratic Buyer's Perspective: Bloom brings sadness. As we see the blossoms on the trees, the white, the pink, the budding green. We think of how beautifully each tree, each orchard, embraces diversity. Nonpareil and Carmel. Butte and Padre. Then we remember the cruelty of our world. The power and almonds in the hands of the rich. The resistance of some to lower prices for the enjoyment of the many. And we weep.

Conclusion

California got exactly what it needed. The market was coming under increasing pressure and this number will likely give courage to those who were getting ready to start discounting their product. It may also provide the impetus for those who need to cover to step up and buy more decisively.

In the very least, it will keep the market stable. It can possibly result in a recovery of pricing to pre-January levels. This will depend on how many people are willing to pay more than \$1.75 per pound for BSU5% and where the majority of buyers think small Californias will settle. For now, growers are expecting a premium over BSU5% for Cal/Butte/Padre SSR 36/40 AOS, and for the most part are not bending to buyers' pressure.

Well, in staying true to our political theme this month, let's remember the immortal words of former Vice President Dan Quayle: "I stand by all the misstatements that I have made."

Hope you all enjoyed this report and that you read it in the spirit of jest in which it was written. We live in a great country that allows us to write such reports and send them freely, without risk of persecution. If only all people could be so fortunate.

Lastly, if you felt this report was too long, rest assured that you are very likely not alone. Take solace in the fact that next month there will not be a report as the author has been placed on administrative leave by the boss.

Best Regards,
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