

March 2011 Almond Position Report¹

March 2011 shipments are 130.44 million pounds. This is up 21.6% compared to the March 2010 shipments of 107.315 million pounds.

Analysis

Carry-in from the 2009 crop:	321 million pounds
Crop receipts through March:	1.618 billion pounds
Less 3% loss / exempt:	49 million pounds
Less Shipments to date:	1.166 billion pounds
Remaining supply:	725 million pounds

Conclusion

We have probably seen the bottom, at least for the short term. The combination of receipts, shipments, committed inventory and remaining supply cannot be interpreted as anything other than bullish.

Intercepted Letter: Employee at a Lebanese almond roasting company writing to his fiancée in the US.....²

12 Avril 2011

Chère Layla,

Tu me manques, habibti. How have you been? Tout va bien? I am still in Beirut; couldn't make it to Amman for the weekend as I had planned. Didn't feel safe enough outside Lebanon...Lebanon is certainly no longer the Switzerland of the Middle East of our youth. Dubai now has all the banking, tourism and indoor snow-skiing; we have Hezbollah. But our neighbors are all in turmoil and for once, we are the ones who seem stable....tu peux t'imaginer? Protests and concessions in Algeria, Bahrain, Iran, Djibouti, Iraq, Oman, Yemen. Mubarak is gone in Egypt. Ben Ali is gone in Tunisia. Gaddafi is en route in Libya. Assad in Syria is in trouble. Assad! In Syria! The chinless, heartless ophthalmologist-turned-dictator. He's certainly no Hafez. Even Abdullah in Jordan is in trouble; mais ca femme est vraiment belle.

The Saudis...mon Dieux! They bought 6.8 million pounds of almonds so far this season. But there is talk that the *Saud* family may be in trouble. Sure, they're glorified shepherds living with unbridled nepotistic indifference off the good fortune of sitting on the world's second largest oil reserves...and sure they subjugate their women and most freedoms of the press and of expression. But I digress. Apparement, some people are finally questioning the validity of monarchies and dictatorships in the 21st century. It's as though intelligence, merit, social tolerance and popular support are becoming more important for Mid East leadership than blood lines and nepotism. Allahu-Akbar!

¹ The 3 "segments" in this report are intended to be taken in jest. Please lighten up and enjoy. Fundamentalists, please discard.

² Interactivity Disclaimer: For all the words or phrases that seem "non-English," and assuming you have a modicum of interest to find out their meaning, type the word or phrase in Google using quotation marks followed by "French" or "Arabic" (the only languages used in this section) and all will be clear. Better yet, use an online dictionary. If you don't want to invest the time, you don't have to. So please don't write and complain about the work it took to read this section. We are busy taking calls from our clients explaining to them why California almond sellers (ourselves included) are bipolar Eunuchs.

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I have to admit that I am worried about the stability in the Mediterranean region. But I have been worried about it since 1975, when we were both students at the Lycée Français. Ahh...Madame Yazbek. She was great, wasn't she? Well, I don't know what's worse, being an unstable Arab country surrounded by other unstable Arab countries...or being in the Spanish real estate business.....

Layla, I know you are waiting for me to join you in Dearborn, to help run your father's shawerma lunch truck. But I am still here managing my boss, Abu-Mounir's, nut factory: "Loz bel Moz." In regards to the business, our suppliers in California are asking for more prepayments on their shipments. They want greater security against the risk of shipping into this mess that is the Moyen-Orient, but other than that, no real interruptions to our work. The importers in Dubai have had a tough time recently: between the difficulties of dealing with Iran, the North African countries, all of whom have represented important markets for them, and the growing instability in the Gulf States³, sales have really slowed down the past few months and created a short-term inventory glut. But we've been buying from there and recently it's becoming more difficult to find what we need.

Abu-Mounir thinks that, even though the UAE has already purchased 61 million pounds of almonds, up 25% from last season, more importers in Dubai are once again turning to California to rebuild their stocks for Ramadan. They took 43% less almonds this March than in March 2010. Companies in this region are going to need more Nonpareil Extra and Carmel/Monterey Supreme. With the Australian crop damaged by heavy rain, a greater than usual percentage of the demand will come to California. Abu-Mounir is confident that despite the short-term instability, that the resilience of the people of the region will once again shine, and that imports for the 2011 season will exceed everyone's expectations. Insha' Allah.

California almonds are gaining in popularity and shipments are increasing. As of the latest figures released by the Collective des Amandes de Californie, the Middle East is up 14% compared to last year and now represents 17% of total almond shipments. Pas mal. Pas mal du tout.

Tomorrow, Abbas, Hassan, Elias and I are going to Byblos for a few days of relaxation. Chris de Burgh and Elissa are putting on a concert.⁴ The factory will be working again double-shifts starting in May, because we need to prepare for Ramadan. By that time, the Californians will realize that they have a big new crop on their hands and prices should be lower. It will give us a good buying opportunity. Insha' Allah.

The region is in turmoil – but we are carrying on. Ça marche, ça marche. I will write again in a few days, ma colombe.

Grosses bises,
Mahmoud

³ For American readers, note that the "Gulf States" reference here is not to Texas, Louisiana, Mississippi, Alabama and Florida. Rather, it is referring to the Arab states of the Persian Gulf, namely, Saudi Arabia, UAE, Qatar, Kuwait, Bahrain & Oman. I know it's confusing and who really cares anyway....unless it's somehow going to impact the cost to fill up our Escalades. But just for the sake of geographic integrity and interpretation, we thought a footnote might help accomplish what our high school classes could not.

⁴ [Lebanese Nights](#)

Listening-in on a phone call between a California processor (Ed) and one of his big growers (Stan):

- Stan: Ed, it's Stan. How's it goin'? Did you get to the gym last night? I was up at our new place by the lake workin' with our contractor. Cindy wants us to add a hot tub outside our bedroom and we're trying to figure out how to get it done before we go down to Mexico to get some fishin' in before the season starts.
- Ed: Good luck; sounds like fun. Holly has her own projects she's workin' on. I figure it's best to just write the checks and stay out of it. Can't afford another divorce. The last one cost me plenty. I'm still paying for the Range Rover and 3 manicures a week...plus all the child support and dinners for whoever she's screwin' now. Bitch. If I had only known that she and her sister were so close.....Heck, missed you last night. Did some cardio and then some legs. Then met up with Chuck and had a few drinks.
- Stan: Did Chuck tell you about Denise? Boy, I thought I had problems. Speakin' of problems, what's the market been doin' lately?
- Ed: Well, up until this morning, some of these traders have been pushing this thing down. Some guy in the UK, can never keep those names straight...I think the broker who called me said it was "Honey" or "Fondly" or something like that. Anyway, the broker said that last week this Fondly guy was offering BSU5% about 5 cents under whatever California was offering. Plus some of the companies here in California aren't helping either. Putting circulars out dropping the price every damn day. Last I saw, they were biddin' a buck-seventy for standards and there were takers.
- Stan: Heck, sounds like a decent price to sell 10 – 20% of my handle.
- Ed: But you know how it is in these falling markets, every time you want to offer, the damn buyers want a nickel cheaper. Well maybe with this position report, showing shipments up nearly 22%, the tide will turn by tomorrow morning. The numbers sure support some firming. Receipts holding steady around 1.61 billion pounds. Season to date shipments up 9.6% and an uncommitted inventory of 419 million pounds – that's 1.24% less than what we had last year. And remember, the carry-out last year was 321 million pounds. The way things are goin', we could well see a carry-out going into the 2011 season of less than 300 million pounds. Gotta love the domestic market; up 17% and another new record. And despite all the problems in the world, exports were up almost 24%. Wouldn't've figured on all of this a couple months back....
- Stan: Yeah, but have you seen the trees out there on the West side? Jesus, Ed...it's at least as good as what we had in 2008. My Butte/Padres are roped. The Carmels and Montereys look great. And I don't know about those boys up in Chico, but our Nons look terrific too. This crop is 1.8 billion pounds if it's a pound. And someone was sayin' that the Spanish got a crop this year too; somethin' about twice as much as last year. I gotta sell and get somethin' in the books. What kind of interest you seein'?

- Ed: Well, until today, if you wanted to get some traction, you had to be about 5 cents below market to get somethin' done for prompt. The Europeans still have lots of buyin' to do, but those bastards play us like a violin. They have to buy. They know that we know that they have to buy...and still they just wait a few days, then some jackass throws out a good price for 20 tons, some European broker sends a few e-mails, and we all start chasing our fuckin' tails down. That's gotta stop. Gotta stop.
- Stan: Back in February you told me that those boys from Derco had some pretty decent bids...but it was raining, and snowing somewhere up in San Francisco, so I was withdrawn. Stupid. I should've taken it. Heck, there were bids just 2 weeks ago at a \$1.77 for new crop! These markets are just changing too fast...I'm getting too old. Whadda you think we're lookin' at in the next few months?
- Ed: The acreage report is on April 28th. I don't care what they say, I'm tellin' you we got 780,000 acres in full production. Forget this 760,000 bullshit they're throwin' out. Those guys couldn't count the number of fingers they have on their left hand using their right hand. Plus they're giving some stupid-low number to the 3rd leaf trees...a few hundred pounds or something like that. Hell, I got a bunch of growers who saw 2000 pounds plus per acre on those trees *last* season. Wadda you think they're gonna yield this year? Not less, that's for sure. And no water problems with all that rain and snow we got this winter.....Jeez....Then on May 5th we got the subjective estimate. Won't be below 1.7; don't care how many people under-report. Everyone cried last year and NASS hit it damn-near on the head with the 1.65. We made fun of the poor bastards, but they were right. Well, this year, on June 30 – we get the objective again. It'll be 1.75 to 1.85 billion...No matter, you're looking at a total marketable of 2 billion pounds plus. Growers are gonna crap their pants mid-summer. They shouldn't, because we're gonna sell 'bout 1.6 billion pounds this season...but they will. That's when those opportunistic Europeans will come in. If the Euro is still above \$1.40 and we drop the price below \$1.50, they will pounce all over us and we'll sell them \$1.45 standards through June 2012 like the lemmings we are.
- Stan: I don't follow that currency thing too much; you know I don't like to travel. But this morning as I was drivin' 'round my orchards, I thought that the radio was on Prime Country....but one of my kids must have hit a button or somethin' because instead of George Strait singin' "I can still make Cheyenne," I got some lady with a funny accent and noticed it was the Bloomberg financial channel. The lady on there was saying that some guy by the name of John Clod Tree Shade was raising interest rates in Europe but that our boy Bernanke over here was keeping things steady. That lady was saying that because of the interest rate difference, more people wanted to hold Euros than Dollars right now.
- Ed: That lady is right. Today the Euro is nearly \$1.45. That's why so many Europeans are wanting to buy for May – July shipments; they want to lock in these good rates. It's also why a few guys here are thinking of waiting even though they need to sell. They think that the Dollar will weaken even more and they don't think that the European industry can wait much longer. I hear from some of the visitors drivin' through here that the supermarket business in Europe is covered, but not the Turrón and Marzipan industry. They gotta buy. With today's number, I think prices can move up, Stan. I really do.
- By the way, speaking of visitors, have you heard anything about the traders in Hong Kong and what they're up to?

- Stan: I don't know them Chinese people...you know, they all look the same to me. And they sure got some hard names. Christ! I just don't know how to pronounce all those "X"s and "Q"s they have on their business cards...and that's if I'm lucky enough to get a card with English on it, not picture words. What's that all about? You'd think that after 5000 years, they would have made their language easier to follow. Where was I....oh yeah...I heard that one of those boys comes through here, stops at every processor, and wants to book all they have to offer.
- Ed: Yup; it's that One Truck Song fella. Don't know what his song is, but says he's all loaded up with cash and comes over wantin' to spend it. He's smarter than we all are. He sat in a chair right across from me last year and bought 25 loads of Price supreme, some Monterey and about 50 loads each of inshell Nons and inshell Carmel. That guy knows just when to come. After a few weeks of no action, he times it just right, buys everything he can, then waits for the market in China to go up. If things in China are slow, he sells to the importers in Dubai or to the Indians...the ones in India, not the ones running that Chukchansi place up by Oakhurst. Those Indians over there in India are sure gettin' annoyed at those boys in Hong Kong. Not sure they like this buyin' competition out of California for the inshell Nons.
- Stan: Whadda you think I should do, Ed?
- Ed: Stan, you never listen to me when I tell you that I have a good buyer and that you should sell something. So what'er you askin' me for? Anyway, what *can* you do now, Stan? You can't sell nothin' when there are no serious buyers. Now that the Hacking boy is out of the UK, and that Bond fella is either doin' or not doin' cashews...can't keep any of that straight...there's no one left willing to load up speculatin' when no one else is buyin'. It's all hand to mouth, especially when they know we're not runnin' out any time soon. By soundin' antsy and calling me to sell your nuts every day, all you're gonna do is push the market lower. Just go down to Mexico and call me in a couple of weeks. And if anyone calls you direct to get your thoughts on the new crop, don't sound so damn desperate. Remember...just say "June Drop, June Drop" and "It's too early to tell, too early to tell." Or just quote something from the last Blue Diamond report. Those guys over there write a report that'll convince you to wear a sweater on a trip to Hell. Whatever you do, get off the phone. Leave the talkin' to me.
- Stan: Alright. So you think that these strong March shipments are gonna help us?
- Ed: I think maybe yes, Stan. Everyone knew March was gonna be big – but this was real big. As long as everyone doesn't get giddy-happy wantin' to sell too much into this – and floods the market – I think we have a floor now. If California stays cool for a few days, I think we will have a good chance to push prices up, at least for a while until those new crop nuts start getting bigger and those limbs start hangin' real low.
- Stan: What about the Middle East...what's going on over there? I can't keep those darn countries and revolutions straight. You gotta give it to Bush though....he kicked those Iraqi's asses so hard that now everyone around there wants freedom.

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- Ed: He sure did. I sure miss him. This Kenyan sure ain't cuttin' it, goin' after my hard-earned millions.....That Mid East area is tough to predict, Stan. They have a lot more buyin' to do for their holiday there....Ram-a-something. But everyone's worried to buy too much and get stuck with their inventories if the markets don't move quicker. I've been seeing a lot more interest from Dubai, Egypt, Venezuela and other countries in the region. Not sure if they're kickin' the tires or if they're serious...but they don't got much time if they want to get that stuff shipped and sold before they have to do their fasting thing. I'm bettin' they'll be all-in by May. If we can just keep our pants on that long.
- Stan: I'll try, Ed. Always nice chattin' with you. I'll give you a call when I'm back from Cabo. But if you get any bids for standards at \$1.70 let me know. But I won't sell for a penny less.....

Email exchanges between a California processor and French importer:⁵

From: Frédéric
Date: Wednesday, February 23, 2011
To: Tom
Subject: Request

Dear Tom,

I would like to buy 100 tons of standard 2s for March – July; 20T per month. My price idea is \$440 FAS. I also need some Cal SSR 27/30 AOL for prompt at \$451 FAS.

Please advise what you can offer.

Cordialement / Best regards
Frédéric

De: Tom
Envoyé: Jeudi 24 Fevrier 2011
À: Frédéric
Objet: RE: Request

Withdrawn.
Tom

From: Frédéric
Date: Thursday, February 24, 2011
To: Tom
Subject: RE: RE: Request

Dear Tom,

Thank you for your prompt response. I assume this is due to the cold weather forecast for the next days? Appreciate clarification of your position.

Cordialement / Best regards
Frédéric

⁵ Contrary to what you may think, this section was spellchecked. Dates and other details were not randomly selected.

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De: Tom
Envoyé: Vendredi 25 Fevrier 2011
À: Frédéric
Objet: RE: RE: RE: Request

No grower support. Whether may get into mid 20s buy this week end; people in Chico saying their lucky if they get halve a crop. I am worried to. Don't see how this crop can be better than last season. Need to weight.

From: Frédéric
Date: Tuesday, March 8, 2011
To: Tom
Subject: New Request

Dear Tom,

Thought I would see if we can do some business. I would like to buy 100 tons of standard 2s for April – August; 20T per month. My price idea is \$418 FAS. I also need some Cal SSR 27/30 AOL for prompt at \$425 FAS, preferably with low foreign. Lastly, if you can do blanched 23/25 at \$561, let me know.

Please advise what you can offer.

Cordialement / Best regards
Frédéric

De: Tom
Envoyé: Mercredi 9 Mars 2011
À: Frédéric
Objet: RE: New Request

Not a seller at this level. I'm at \$1.95 for standard 5's and \$2.00 for 27/30s. Nothing in hole blanched almonds.

De: Tom
Envoyé: Mardi 5 Avril 2011
À: Frédéric
Objet: Hello My Friend

Dear Fred,

I haven't heard from you in a while. I sure hope that you and your family are all well.

I can offer BSU5% for April – August at \$1.75 and September – December at \$1.65. If you have a firm bid, please let me know. Let's put something on the books, buddy.

Warm regards,
Tom

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From: Frédéric
Date: Tuesday, April 5, 2011
To: Tom
Subject: RE: Hello My Friend

I give you my bid for 100 tons standards April – August at \$363 FAS. Not interested in new crop. Price will go lower with this big crop you have....

From: Frédéric
Date: Tuesday, July 5, 2011
To: Tom
Subject: Objective Estimate

Dear Tom,
I hope that you had a nice Independence Day celebration. Well, it seems that the objective estimate was not as big as many of us expected and the current crop shipments between April and now have been better than expected. I am seeing renewed interest for Standards at \$363 for Sep – Dec. I can bid you at this level for 40T per month.
Cordialement / Best regards
Frédéric

De: Tom
Envoyé: Mardi 5 Juillet 2011
À: Frédéric
Objet: Re: Objective Estimate

These prices are too low. My growers are going to hold until they can get at least \$1.60 in the field. The Chinese are in the market now and I have a Hong Kong trader coming in later this afternoon. Last year he bought nearly 600 tons during his visit. Let's wait.

“You cannot slander human nature; it is worse than words can paint it.” Charles Hadden Spurgeon (1834-1892).

Best regards,
DERCO FOODS