

March 2012 Almond Position Report

March 2012 shipments are 172.5 million pounds. This is up 32% from the March 2011 shipments of 130.4 million pounds.

Analysis

Carry-in from the 2010 crop:	254 million pounds
2011 crop receipts:	2.012 billion pounds (first time ever over 2 billion pounds)
Less 3% loss / exempt:	60 million pounds
Less Shipments to date:	1.343 billion pounds
Less Commitments to date:	386 million pounds
Remaining Unsold Supply:	476 million pounds

Shipments

Six of the last eight months have been overall shipment records. Season-to-date shipments are up over 15% compared to the 2010 season. April will likely be another very good month, as some of the largest processors in California are now taking orders for May. Factoring in the huge March shipments, and assuming that April – July shipments stay at the same levels as last year, we will have shipped 1.845 billion pounds for the 2011 season. This is a conservative estimate.

Committed Inventory (almonds sold, but not delivered)

Domestic commitments are up 4.6%; export commitments are up an incredible 56% over last year. Total committed shipments, at 386 million pounds, are up 26%. With these kinds of figures, and if we are to have a minimal 275 million pound carryout, we cannot have more than 50 million pounds of new sales. This past month, we had over 150 million pounds of new sales.

Domestic Market

A new record at 48.49 million pounds, up 12% from the record set last March with 43.3 million pounds. The achievements of the US market are incredible.

Export Markets

Exports are 124 million pounds, crushing the previous record of 87 million pounds set last March. It's difficult to grasp the importance of this big number, coming in March, in the midst of global economic difficulties and with nothing but negative political news on the television. This season so far compared to the 2010 season: Asia is up 31%; Europe is up 8% (remember, this is supposedly a developed / mature market); Middle East is up 22%; North Africa is up 15%.

Regional Shipments

Here are the shipment statistics for shelled and inshell almonds to major Middle Eastern markets (in pounds) for the 2011 almond season:

Country	<u>August 2011 - March 2012</u>		<u>August 2010 - March 2011</u>		<u>% Change</u>
	Shelled	Inshell	Shelled	Inshell	
Egypt	6,949,600	984,642	5,642,050	593,134	27%
Israel	3,137,752	124,433	4,107,236	167,043	-24%
Jordan	5,501,900	471,649	5,555,250	1,179,031	-11%
Lebanon	4,740,025	10,689	6,539,450	3,543	-27%
Saudi Arabia	12,998,711	450,721	6,714,899	104,384	97%
Turkey	22,981,227	21,692,400	12,324,475	17,664,883	49%
UAE	58,400,774	10,110,660	51,999,329	9,030,924	12%

Conclusion

China & Hong Kong

Mainland China, as of 3 weeks ago, had a good amount of almond inventory. Most importers' warehouses were at least partially full. According to serious buyers, had these almonds (that are now in warehouses) arrived before Chinese New Year, they would have been sold easily. The built-up inventory in China was a result of the slowdown in the import channels prior to Chinese New Year.

In Hong Kong, inventories are manageable. Traders who purchased earlier and at lower prices were until now selling at a few pennies below California's price levels. Middle Eastern clients have been the primary beneficiaries of the inventory in Hong Kong.

China / Hong Kong taking 21.5 million pounds in March was a surprise. The mainland processors we had spoken to seemed to already have their hands full moving the product they had in stock. Whether or not the shipments to China in April are as big remains to be seen, but our guess would be that the majority of the March shipments are going to Hong Kong and may not end up in China. This may be an example of Hong Kong traders buying almonds for global resale (to markets like Dubai and India).

Dubai & The Middle East

Sanctions against Iran have slowed down the nut trade via Dubai. Iran is a major importer in the region and shipments to Iran go through Dubai. Walnuts seem to have been the most impacted, as they are also facing competition from much cheaper Eastern European origins. Demand for almonds from the Middle East and North Africa has been robust. March shipments are proof. The United Arab Emirates (UAE) are up 379%; Turkey is up 287%; Saudi Arabia is up 161%. With the exception of Egypt, Israel and Qatar, all markets in the region are up. We expect this demand for almonds from the Mid East to continue through at least the first half of May, which will allow for the almonds to be received and sold in time for Ramadan.

India

Traders in Hong Kong and Dubai have been selling inshell almonds to India at cheaper prices than California. The volumes have not been big – but it has been enough to divert some of the demand from California. Australia shipped inshell Nonpareil early on but seems to have slowed down now following post-harvest rains there. Before the March shipments were released, the question was if California sellers would feel pressure and see any reason to drop their inshell NP prices, or if inventories of current crop were manageable enough to give sellers here the confidence to hold their prices of \$2.00 per pound or more. Now it seems clear that prices will remain firm.

Europe

European economic problems do not seem to be having a big impact on demand. Some thoughtful European importers that we have spoken with during the past few months admit that Portugal, Italy, Ireland, Greece and Spain are all having economic problems of varying severity. But they don't believe that almond consumption will be affected much, if at all. According to these importers, the impact of a few almonds purchases to an average family's budget is insignificant compared to the value and pleasure associated with the consumption of almonds. Accordingly, they don't foresee a big demand drop in almonds; they say that at worst consumption will not increase during these difficult economic times, but they don't think it will decrease, either.

The big shipments to Spain (up 26%) and Germany (up 17%) were surprising. We did not anticipate such large shipments and assume that they were done several months earlier, when prices were lower.

Before this huge March shipment number, we did not expect much new interest to come from Europe for shipments during the April – May period, but now people who need almonds before new crop, and who are starting to realize that the carry-out into the 2012 season may be much less than they expected a few months ago, may decide to enter the market and buy. Waiting for California to lower prices may no longer be in their best interests.

Finally, with this large number, it does not appear that a big price correction will happen this season, or prior to the start of the new season. Everyone in the almond industry will have to accept the fact that global demand is increasing rapidly and that higher prices are going to have to be accepted – at least for the time being.

Let us know if we may be of further service.

Best Regards,
DERCO FOODS