

2670 West Shaw Lane, Fresno, California 93711 U.S.A.

Telephone (559) 435-2664 • Fax (559) 435-8520 • www.dercofoods.com • e-mail: derco@dercofoods.com

April 2014 Almond Position Report

April 2014 shipments are 137.7 million pounds. This is 6.3% higher than the April 2013 shipments of 129 million pounds.

2013 Almond Supply

| | |
|--------------------------------|-----------------------------|
| Carry-in from the 2012 crop: | 317 million pounds |
| 2013 crop receipts to date: | 2.006 billion pounds |
| Less 3% loss / exempt: | 59 million pounds |
| Less Shipments to date: | 1.508 billion pounds |
| Less commitments: | 321 million pounds |
| Remaining unsold supply: | 455 million pounds |

Shipments

Shipments for the 2013 season are up 4.3% compared to the 2012 season. California has shipped 1.5 billion pounds so far, with 3 months to go in the season. The three year average for shipments between May – July is 400 million pounds, or about 133 million pounds per month. If we ship this amount during May – July 2014, then the carryout into the 2014 crop on August 1 will be about 355 million pounds. This is a very manageable number for California growers. It will not make them nervous.

Commitments (Almonds that are sold, but not yet shipped)

Domestic commitments are 154 million pounds, down 14% compared to last April. Export commitments are 166 million pounds, down about 7%. Total commitments are 321 million pounds, down 10% compared to last April. Uncommitted inventory is up 22%.

Domestic Shipments

Domestic shipments were 50.87 million pounds, down 0.9% from the record of 51.36 million pounds set last April.

Export Shipments

Exports are 87 million pounds, up 11% compared to April 2013. China/HK were up 6% for the month of April, but they are still down 30% for the season. Shipments to Vietnam are up about 3 million pounds, or 25%. Shipments to Korea were up 38%.

India was up 45% for the month of April, but is still down 22% for the season.

Shipments to Western Europe were up 11%. Shipments to Central and Eastern Europe were down 15%. Europe as an entire region was up 7%.

The Middle East was up 62% as a region. Turkey was up 8% after being up 202% in March; the United Arab Emirates was up 107% after being up 78% in March. Saudi Arabia was up 143%; Lebanon was up 39%; Egypt was up 85%; Algeria was down 71%; Israel was up 221%.

2670 West Shaw Lane, Fresno, California 93711 U.S.A.

 Telephone (559) 435-2664 • Fax (559) 435-8520 • www.dercofoods.com • e-mail: derco@dercofoods.com

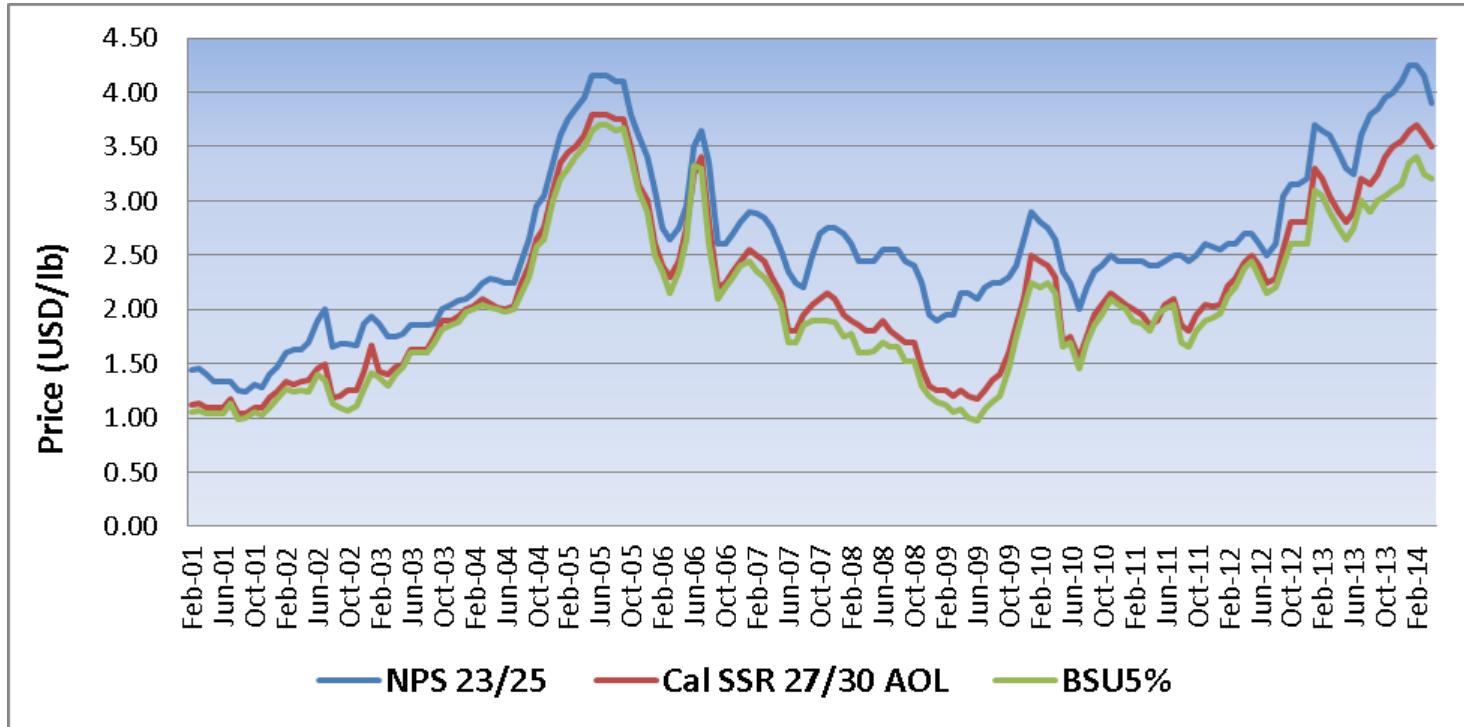
Regional Shipments

Here are the shipment statistics for shelled and inshell almonds to major global markets (in pounds):

| | <u>August 2013 - April 2014</u> | | <u>August 2012 - April 2013</u> | | <u>% Change</u> |
|--------------------|---------------------------------|----------------|---------------------------------|----------------|-----------------|
| | Shelled | Inshell | Shelled | Inshell | |
| EUROPE | | | | | |
| France | 18,133,262 | 81,474 | 18,808,732 | 62,729 | -3% |
| Germany | 98,946,934 | 125,220 | 91,126,785 | 92,573 | 9% |
| Italy | 39,932,300 | 1,746,158 | 25,612,934 | 1,142,835 | 56% |
| Netherlands | 34,450,701 | 0 | 30,052,003 | 15,257 | 15% |
| Spain | 138,232,122 | 3,305,124 | 108,023,600 | 655,261 | 30% |
| U.K. | 21,743,466 | 45,372 | 19,779,574 | 7,585 | 10% |
| Russia | 28,154,207 | 515,530 | 35,742,674 | 2,851,489 | -26% |
| MIDDLE EAST | | | | | |
| Egypt | 3,309,000 | 210,065 | 3,527,000 | 708,120 | -17% |
| Libya | 846,094 | 459,859 | 271,000 | 458,795 | 79% |
| Israel | 4,060,627 | 241,228 | 2,054,217 | 0 | 109% |
| Jordan | 7,364,750 | 710,293 | 4,949,250 | 713,233 | 43% |
| Lebanon | 4,277,825 | 0 | 3,945,000 | 3,500 | 8% |
| Saudi Arabia | 10,765,650 | 269,974 | 8,087,525 | 290,837 | 32% |
| Turkey | 23,125,899 | 21,156,610 | 14,777,900 | 16,472,018 | 42% |
| UAE | 61,368,321 | 6,512,078 | 53,584,378 | 10,172,605 | 6% |
| ASIA | | | | | |
| China/HK | 66,604,778 | 64,116,064 | 77,983,709 | 109,899,873 | -30% |
| Japan | 58,630,619 | 250,230 | 51,100,923 | 392,369 | 14% |
| South Korea | 40,338,719 | 161,091 | 36,362,305 | 0 | 11% |
| Taiwan | 11,084,331 | 415,598 | 9,359,770 | 901,568 | 12% |
| Thailand | 3,139,580 | 34,335 | 3,103,675 | 0 | 2% |
| Vietnam | 866,397 | 14,289,640 | 387,200 | 11,695,001 | 25% |
| India | 3,544,006 | 80,330,340 | 3,773,500 | 104,324,377 | -22% |
| Pakistan | 262,000 | 998,411 | 751,000 | 2,307,114 | -59% |

2670 West Shaw Lane, Fresno, California 93711 U.S.A.
 Telephone (559) 435-2664 • Fax (559) 435-8520 • www.dercofoods.com • e-mail: derco@dercofoods.com

Prices



Subjective Estimate

The USDA 2014 almond subjective estimate released on May 1st was 1.95 billion pounds. Our office already sent a report on this issue. A few points worth repeating:

- The average yield for the 2014 crop is forecasted at 2,270 pounds per acre on 860,000 bearing acres. This is down 4.6% from the 2013 yield of 2,380 pounds per acre on 840,000 bearing acres.
- The California Department of Food and Agriculture (CDFA) also made revisions to historical bearing acreage figures dating back to the 2008 crop.
 - For the 2008, 2009, 2010 and 2012 crops, the bearing acreage was increased by 30,000 acres each year.
 - For the 2011 crop, the bearing acre was increased by 40,000 acres.
 - Due to the increased acreage, the average yield per acre was revised downward for each of these years by an average of 122 pounds (from 2,352 pounds per acre to 2,230 pounds per acre).
- Using the average yield per acre for the past 3 seasons (2,407 pounds) and multiplying this by 860,000 bearing acres, the crop size in 2014 would be 2.07 billion pounds. This is close to the 1.95 billion estimate and would be unlikely to have a major impact on prices.

2670 West Shaw Lane, Fresno, California 93711 U.S.A.
Telephone (559) 435-2664 • Fax (559) 435-8520 • www.dercofoods.com • e-mail: derco@dercofoods.com

- Since the 2000 season, the subjective estimate has, *on average*, underestimated the crop by 4%. For this 2013 season, the subjective estimate was very accurate in forecasting a 2.0 billion pound crop, while the objective estimate underestimated the crop by 8%.
- The objective estimate for the 2014 crop will be released on June 30. Since the 2000 season, the objective estimate has underestimated the crop by an average of 2%.
- During the past 14 seasons, the objective estimate has been more accurate than the subjective estimate 10 out of 14 times.

Conclusion

After the May 1 subjective estimate, almond prices stopped their decline and during the past 10 days prices have firmed. Sellers are in a comfortable position. Shipments are very good, overseas inventories are low, and growers are financially strong. The prospect for a hot summer, where water allocation will be a serious issue, is looming on the horizon.

Buyers know that not much is going to change between now and the June 30 Objective estimate. Many markets cannot wait to cover. They need to buy now. That is why during the past 2 weeks we have seen more demand from Asia, Europe and the Middle East. The demand has not been huge, but it has been steady and consistent. California has very limited BSU5 material available or Cal/Butte/Padre SSR in sizes 27/30 – 36/40.

There is still concern over the new crop. California growers are worried about what the water shortage will do to the final crop size. So far, the crop is developing well and kernel sizing also looks good and larger than last year.

Many of you know that there are reports that the hazelnut crop in Turkey has been damaged by frost. Some experts in Turkey believe that the crop, which was originally expected to be very large at around 900,000 inshell metric ton basis, could be damaged by up to 50%. The walnut crop in California is looking good, but it is too early to make any guesses about the crop size. If all goes well, we could have the largest walnut crop in California history. However, overseas walnut inventories are very low and there is currently strong demand for both inshell and shelled walnuts, with very few offers. Prices of Chilean walnuts are firm. New crop California prices are being pushed up by early speculative offers and limited buying. The pistachio crop in California, which was expected to be around 600 million pounds is now looking disappointing, as it appears that the pollination did not go well. So once again, almonds may be the lowest priced tree nuts in California.

The objective estimate is on June 30. We are advising our buyers to buy what they need for the next 30 – 45 days and then wait for this estimate. It will give the market clarity of direction, at least until harvest is well under way around September / October.

Best Regards,
DERCO FOODS