

### **August 2014 Almond Position Report**

August 2014 shipments are 141.6 million pounds. This is 4.2% lower than the August 2013 shipments of 147.9 million pounds.

#### **2014 Almond Supply**

Carry-in from the 2013 crop:	350 million pounds
2014 crop NASS estimate:	2.1 billion pounds
Less 3% loss / exempt:	63 million pounds
Less commitments:	441 million pounds
Remaining unsold supply:	1.946 billion pounds

Buyer: "What bait must I use to ensnare your love?"

Seller: "Ahh, but the servant waits, while the master baits."<sup>1</sup>

Is there a shipment report out today? Anyone in California care? Rhetorical question....of course not.

The statistics this month don't matter, because what we got (no matter what that would have been) is what California wanted. California growers are firmly in the driver's seat and they are dictating what and how much they sell. Buyers, and their demand, have become an afterthought.

The industry here is not concerned with shipments at this point. The drivers of this market are: (1) concern that this crop is going to fall well short of the 2.1 billion pound NASS estimate; (2) a water shortage which is so severe in some regions of the San Joaquin Valley that some growers believe it could lead them to pull out their orchards before next season; and (3) processor obsession with comparative grower returns.

Few sellers, empty markets, increasingly desperate buyers.....all seemingly headed to the edge of a pricing cliff of unprecedented heights.....such is the almond world that we live in.<sup>2</sup>

Below are a few quotes to help explain the reality in California to those who do not have the benefit of living here and who are at a loss to explain why they cannot secure product in order to run their businesses, factories, etc.

- Almond Grower: "My Nonpareil is down 20% and my pollinators so far are down 10%. I don't think this crop will make 1.9 billion pounds. I'm waiting for more information before I sell."
- Almond Grower: "I am not going to sell anything until I know how much rain we have gotten for next season. I am ready to hold my entire crop until February or longer. If I have to sell at \$0.50 per pound

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<sup>1</sup> Modified from [History of the World Part I](#); Mel Brooks; 1981.

<sup>2</sup> [Nothing for Sale](#)

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less, so be it. I will take \$0.50 per pound less. But I want to see the rain. If there is no rain, and if I'm pushing out orchards this summer, then these prices are still too low for me. I'll wait and take my chances."

- Almond Grower/Processor: "I would be ecstatic to sell my entire handle at these prices. I couldn't have dreamed about these levels a few years ago. But I have to stay competitive with all the other packers around me....it's not a question of 'greed,' it's a question of 'relative value' and of what almonds are worth today."
- Walnut Grower [speaking about the price of inshell Chandler walnuts]: "At \$1.20 per pound, we started planting; at \$1.50 per pound, we were ecstatic; at \$1.75 per pound, we were orgasmic; at \$1.95 per pound.....it was too cheap!" (Today, the price is \$2.35 per pound + with limited sellers).

Domestic shipments have set a record and domestic commitments are up 1.89% over last August.

Export shipments are down 7% (about 6.7 million pounds), and they would have been off more had it not been for India booking 22.5 million pounds (compared to 8 million pounds last August). This information should make for some interesting days in the Indian market. China/HK/Vietnam are down 17%. All major European markets are down, with the entire European region down 30%. The Middle East is down 41%.

## **CONCLUSION**

Almond, walnut, pistachio, hazelnut and pecan prices are all incredible right now. If not trading above record levels, they are close. Those who have been around prior to 2008 are preparing for the market bloodbath which seems inevitable. Newer companies, emboldened by 6 years of bull markets and seeing limited selling interest, are pushing prices higher each day with incrementally higher intra-day bids. This is having a paralyzing effect on the market as growers are simply saying: "If I do nothing today, it will be \$0.05 per pound higher tomorrow. Why should I sell now?"

The relevant questions now seem to be:

- Did NASS miss this estimate? If so, how badly?
- Will global demand step up and pay these ever increasing prices?
- How long will growers actually wait before pulling the trigger on their tonnage? Water or no water, profit levels have reached a point now that even the most pessimistic among the grower base will soon want to take their money off the table.
- If selling continues at the lethargic pace that we have seen the last 45 days, how poor will September and October shipments be? Will two successive weak shipment months be enough of a motivator to increase the liquidity in the market?

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For now, August shipments of 141 million pounds are not going to make anyone in California panic. This is the third best August shipment in history. Buyers will rightfully argue that shipments were respectable only because this was an early harvest and there was much more available to ship in August than in past years at this time. This is confirmed by the receipts of 345 million pounds, up 39% from the August 2013 receipts. But sellers will not care.

When all is said and done, we must recognize the natural human inclination towards “the ease of remembering versus the difficulty of imagining.”<sup>3</sup> Remember that before 2006 (only 8 years ago), global demand for almonds, walnuts and pecans was on a totally different (smaller) scale. With the rapid growth of a global middle class and the increasing scarcity of arable land, fresh water and a myriad of other natural resources, who really knows what the new baseline for commodity pricing is? Understood that we are dealing with non-essential foodstuffs here, and people can survive without almonds or walnuts. But will \$2 a pound difference create a seismic shift in demand if supply stays relatively static? During hard economic times, consumers don’t buy cars, don’t go on big vacations....but they don’t stop snacking. In fact, they increase the quantity and diversity of their snacking as this is still a relatively cheap luxury in which they and their families can indulge. With the prices of virtually all other tree nuts in the stratosphere, we will not bet against the almond industry and its solidarity until the writing is on the wall. Those who sold BSU5 short at \$3.30 per pound will attest to the soundness of that strategy.

“Without a rich heart, wealth is an ugly beggar.” Ralph Waldo Emerson (1803 - 1882)

“Every time my father walks into my office and sees all the diplomas hanging on my office walls for which he paid dearly, he breaks down into tears and laments: ‘He could have been an international trade lawyer in Washington, D.C...he could have been anything he wanted.....instead he has become a professional nut beggar!’” A. Dermenjian (1970 – sooner than he thinks)

Enjoy the cartoon. We had a lot of time on our hands this month.....please laugh with us.

Best regards,  
DERCO FOODS

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<sup>3</sup> The Psychology of Your Future Self. Dan Gilbert. TED 2014.

HEAT	P	A	C	K	E	R	S
1	\$3.50	\$3.95	\$3.55	\$4.00	\$3.61	\$3.85	\$3.72
2	\$3.94	\$3.71	\$3.86	\$3.55	\$3.51	\$3.74	\$4.00
3	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-

I jumped first last time Jimmy  
I'm jumping last

I gotta win or I'm being put up for adoption.

Come to me and I'll get you \$4

Jump Bobby

We're at the peak... jump!

Waiting for you to jump, Ronnie

You've been dipping your toe long enough take the leap!

This time you'll do better... trust me!

No, you jump, Karl

You better get me \$4 Ronnie

It's all about coffee shop bragging rights Bobby

Relative Return Jimmy  
... Relative Return

Five cents less than Karl's kid and you'll be up for adoption



# GROWERS