

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

### **September 2005 Almond Position Report**

September 2005 shipments were 81.5 million pounds. This is down about 29% from the September 2004 shipments of 114 million pounds.

Carry-in from last year: 137.7 million pounds

Crop receipts to date: 352.5 million pounds

**Less 4% loss / exempt: (14.1 million pounds)**

Total Supply: 476.1 million pounds

**Less shipments to date: (138.9 million pounds)**

Supply Remaining: 337.2 million pounds

#### **Receipts**

**Seller's Perspective:** Receipts are off 27% compared to last year at this time and we have 22% less almonds to sell. Unless the pace of receipts picks up, all the rumors coming from California that this crop is in the 700 million pounds range may well be true!

**Buyer's Perspective:** Check out last week's Huller and Sheller Survey which indicates that the estimate is now for 880 million pounds, with Nonpareils down 21% and other varieties down by 6.5%. If we're not mistaken, 880 million pounds was the CASS objective estimate figure also, which may still be on the low side.

#### **Commitments**

**Seller's Perspective:** Commitments are down 24% over last year and receipts are down 27%. We have 20% less inventory than at this time last year.

**Buyer's Perspective:** You are down 30% on domestic commitments and 20% on export commitments. You did not sell enough early.

#### **Shipments**

**Seller's Perspective:** We are down 15% on domestic shipments and 34% on export shipments. The crop was late and the Hurricanes delayed orders leaving our facilities. October is going to be a big month - we are packing as fast as possible to meet our October shipment obligations.

**Buyer's Perspective:** How many of you were still harvesting Nonpareils during the past ten days? Not too many....but inshell shipments to India are down 33%? You need not worry that shipments to Canada and Mexico are down 22%, to Western Europe down 32%, to Eastern Europe down 50%, to the Middle East down 79%, to Asia down 30% - because Australia and New Zealand are up 43% and 46% respectively - so what if that's only 860,000 pounds? Those darn hurricanes slowed everything down. Next month will be better. We know it will. And so what if shipments are down 29% for the whole year? Last year California shipped 984 million pounds. A 29% decrease for the season would mean 700 million pounds shipped. With a crop of 880 million and a 137 million pound carry-in, that would put you in August 2006 with a carry-out of 317 million pounds (not taking the 4% loss/exempt into account). We're sure that sounds worst than it is. Heck, in 3 years, you may likely have a 1.5 billion pound crop and you will look back on a 317 million pound carry-out with nostalgia.



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

### Sizing

**Seller's Perspective:** Nut counts are coming in even larger than we expected. Average sizes are 23/25 AOL - in many cases, 20/22 AOL. Even the Butte / Padres are larger than normal this year. We are yet to find a variety that is averaging a 27/30. Confectionery companies who must have small sizes are going to have a difficult time this season filling their requirements.

**Buyer's Perspective:** Confectionery companies will make do....just as we are sure you will find a home for the Nonpareil 18/20s to the Mid East.....Oh wait, that region is down 78.9% on imports. That's OK, you have the European Market....Oh wait, they don't need 18/20s - they just need 23/25 AOL or a California SSR 27/30 AOL - and will not pay the premium for larger sizes. That's no problem, there's Asia....but they're down 28% and Japan only wants 25/27 or 27/30 Extra quality. Bet a lot of you guys wish you took those \$4.20 / lb bids a few weeks ago. But since the Nonpareils were bad, really bad, \$4.25/lb of course seemed like a more reasonable price.

### Domestic Market

**Seller's Perspective:** There is still a lot of buying to do.

**Buyer's Perspective:** Perhaps, but not at these prices. Your "crutch" market is crumbling. Quick, find a Quaker or Hershey buyer and convince him to buy 1000 tons of NPS 16/18 for shipments through July 06. Doesn't matter if they don't need that size. It's twice as good as a 32/34...and it's what you have to sell. Buyers should be happy just to get an offer, right?

### Pricing

**Seller's Perspective:** Apart from a few weaker sellers, most of us feel comfortable in holding the line and waiting for October shipments and more receipts figures. And what about the rumors of people trying desperately to lower the market to cover their short positions? We've had people call us, convince us that the market is going to crash, then book January - March 2006 business. Seems odd for people who are convinced that the sky is falling. Why should we let individual buyers tell us how to price our crop? If we need to lower prices because shipments appear to have over-corrected, we will. But we will base that decision on market factors which are not yet clear, and not on psychological manipulation. At least not yet....

**Buyer's Perspective:** A few of you are already cracking under the inventory of a crop that starts with a "7".....maybe a low "8".....maybe a high "8" but definitely not more than a low "9" - definitely not. In any case, we are not going to push prices down, you are. Sure, there are a few aggressive guys out there who are actively working to lower the market - but that's not necessarily the best way to get what we want. We just don't do anything and you start tripping over yourselves with offers. "I want to be a little better sold;" "My growers in the South Valley say that their crops are as good as last year; in some cases, better by 3 - 8%;" "These are darn good prices;" "I have some Nonpareils coming in that I'd like to move for prompt;" "Bring me bids on NP 20/22 AOL;" "The serious damage and the chip and scratch is higher than I'd like to see, but if you need an Extra #1, we can probably do a couple of loads for you." Yes, that is humility creeping into grower vocabularies again.



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

#### Growers

**Seller's Perspective:** Growers are showing more interest in selling, but many are still holding out because they feel that there is still upward potential in this market. A better than expected October and continued lagging receipts will prove that this crop is closer to the 825 - 850 million pounds range - and that prices should stay firm to allocate the crop through next August.

**Buyer's Perspective:** They are starting to call you more each day. They are getting nervous, because they know they have passed the peak of the market and with each passing day, they are going to get less for their crops. And with the price of gas these days and the fuel efficiency of Hummers, every penny counts!

#### What People Want to Say But Won't

**Seller's Perspective:** Thank you for flying United. Please use care while opening the overhead bins as contents may have shifted during the flight.

Damn those Nonpareils, they were better than we expected! Sell, sell, sell - don't worry about the fact that there are no buyers, it's not like we've cared about them for the past 3 years. Just SELL!!!!!!!

**Buyer's Perspective:** \$3.75 for Nonpareil 18/20 anyone? No? No problem. We will wait and take our chances that things will "firm up" down the road. Right.

And in case you're wondering why the brokers in Europe are quiet, it's because they are busy selling the Spanish crop. When they're done, we are sure that they will come back to California. After all, the Spanish crop this year isn't big enough to affect California, is it?

#### Conclusion

We have likely seen the top of the market. The speed at which prices now adjust downward will depend, among other things, on: shipment levels during the next several months, the U.S. Dollar, how fast the Spanish can process what they sold, and unity among California sellers. Those who are not yet comfortably sold will now get nervous and sell below market. Whether or not the larger packers succumb to the pricing pressure remains to be seen. A lot will depend on their growers' convictions about the future of the market. If they can hold prices in the next few weeks, it will force buyers who have yet to cover to pay current prices. Once that happens, it may give others the fortitude to hang on.

The challenge for California is that now the daily talk is not about "if" the market is going to see a correction but "when." The most bullish have grown quiet, with less arguments in their arsenal than at any time in the past few years. The bearish are vociferous. The volume of business being transacted has gone down - and those that have an agenda to push are relishing broadcasting the 20 tons they traded at below market for all to see and hear.

As for sizing, it appears that small sizes in all varieties will carry a premium. As one grower mentioned - "if you want to buy a Nonpareil Extra 36/40, it doesn't matter what the price is, it does not exist in this crop." Larger size Nonpareils and Carmels may weaken the most - with sizes 25/27 or 27/30 and/or smaller carrying a premium. Quality seems average, with many growers complaining of higher than normal serious damage.



**FOODS**

**INTERNATIONAL DIVISION**

---

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

We are heading into a challenging transition period. At some point between now and the next crop, barring a weather disaster during bloom, prices are going to have to reflect the new supply reality. It's important to focus on the givens now and not on what has been. As the Chinese saying goes, "The smart horse doesn't eat the grass behind him."

Best regards,  
DERCO FOODS

Ago Dermenjian  
DERCO FOODS  
2670 West Shaw Lane  
Fresno, California 93711  
Tel: (559) 435-2664  
Fax: (559) 435-8520  
e-mail: [ago@dercofoods.com](mailto:ago@dercofoods.com)