

September 2010 Almond Position Report

September 2010 shipments are 151 million pounds, a new record. This is up 12.5% from the September 2009 shipments of 134 million pounds.

Analysis

Carry-in from the 2009 crop:	321 million pounds
Estimate for 2010 crop:	1.65 billion pounds
Less 3% loss / exempt:	(49 million pounds)
Less Shipments to date:	276 million pounds
Remaining supply:	1.646 billion pounds

Shipments & Receipts

Seller's Perspective: A fantastic shipment month. If we are not as irrationally exuberant as you expect us to be after posting such a huge number, it's because this season we are going to focus on holding prices firm, avoiding a post-bloom crash, and getting growers a good, stable return. Last year we worked ourselves into a frenzy, pushed prices up after some strong shipment months, then after the major markets had enough supply and demand quieted down (between February and June 2010), the market took a big dive and we were tripping over each other to make a sale. This season we are going to try for the "slow and steady wins the race" approach.

As for receipts, they are down over 15% compared to last season, but this crop is late and early rains have delayed things further. It is too early to come to any conclusions about the crop size. So are you impressed by our maturity or what?

Buyer's Perspective: Is this a Jedi mind trick or have you been taking more of that Methaqualone again? We will wait for next week and see where the offers are. As we like to say, "An offer is worth a thousand words." Does anyone have inshell Chandlers for sale?

Domestic

Seller's Perspective: The domestic market continues to be our friend. Where exports have fluctuated, the domestic almond market has stood strong. Almonds are becoming an important part of Americans' diets and we are thrilled about it. 38 million pounds shipped domestically – up 12% over last September and breaking the previous record of 36.5 million pounds set in September 2008.

Buyer's Perspective: We are objective people and we cannot disagree. If you succeed in creating similar demand in overseas markets, in a few years, regardless of crop size, almonds will have to be allocated, not marketed.

Export

Seller's Perspective: Strong numbers and a new export record, surpassing last September by nearly 13% and breaking the previous record set in September 2008 (100.67 million pounds). Shipments to Asian countries are up 51% compared to last season at this time. Shipments to the Middle East and Africa are up 39%. These are especially significant figures when you recognize the fact that last season was a darn good year. These are not average numbers surpassing a marginal season. These are terrific numbers surpassing a wonderful past season in which we shipped 1.47 billion pounds, a seasonal record for the almond industry.

It is very important to note that shipments to Europe are down 27%. At some point, this difference is going to be made up. European industry is not covered for January onwards (and some say December onwards). At

this point, Europe is once again consuming spot and afloat product, and prices for this material are going up. Origin prices are lower, but demand so far has been lethargic for anything beyond “prompt.” We expect that this will change soon. A good friend in Spain noted that shipments to Europe between March and September 2010 are down 121 million pounds compared to shipments during the same period of 2009. Spain alone is down 65 million pounds for this period. Spanish almonds are more expensive and not a real alternative. Prices for California almonds are eminently reasonable. These factors lead to the conclusion that demand of industrial product to Europe will pick up soon, unless Europe is really going to get through a season importing 30% less almonds.

Buyer's Perspective: The very markets that you are indirectly touting as being your super-star markets, namely India, China, and the UAE – all have problems. Let us give you some coffee-shop talking points for Monday morning:

- **India:** a very important market indeed. If India was an actor, it would be Nicholas Cage. A great actor to be sure, but a bit zany and certainly very emotional.
 - First, Indian almond importers dealt with fumigation issues during this past month. We all know India for the clean and hygienic country that it is. Almonds are hand-cracked in state-of-the-art facilities where the greatest care is taken to ensure proper handling and food safety. HACCP experts who visit Indian almond factories weep tears (presumably of joy) when they see how almonds are hand-cracked in India. So needless to say that a proper fumigation protocol is crucial and India deserves special treatment in this regard. What's a few more days in a fumigation chamber? Plant managers, learn to be patient. After all, Delhi wasn't built in a day! (We are of course referring to the one in India, not the one near Turlock, which may have been.)
 - Second, Indians are in the midst of the Commonwealth Games (which in India might as well be called the Commonpoverty Games, because nothing says oxymoron better than “common wealth” and “India” in the same sentence...It's like saying “American” and “know how to properly hold a fork and knife”).¹ The Indians have tried hard to make the Greeks look efficient, and so far they are succeeding. As a side note, England (and Australia) are trying to make India look bad by claiming that their swimmers have gotten sick because of poor water quality in the swimming pools. These allegations have proven to be baseless (and we all know what these allegations are really about...get over it, Gandhi won). Nevertheless, all these distractions have brought traffic and almond sales to a halt in India.
 - Third, Indian importers are only partially covered for the November – December period. With Diwali and the wedding season around the corner, sales will pickup and India will come back for more almonds.
- **China:** bought a lot of almonds last season. These purchases were front-loaded, but the tonnage was shipped nonetheless (with some quantity re-exported). The skeptics said it would not happen again. So

¹ Yes, friends, a cathartic, digressive moment for your author. My fellow Americans, I love you dearly. You are wonderful at so many things. You have a beautiful, geographically and ethnically diverse country. But few of you know how to use cutlery. You hold a fork as though you are trying to kill the animal that is already quite dead on your plate. The next time that you have a European visitor and you take him out to a steak dinner, note how he holds his fork and knife. No four fingers running down the length of the fork. No stabbing. No chance for animal getaway. This is not ethnocentrism. This is table manners. For a good tutorial on how to hold cutlery, please go to: [I can hold a fork and knife the proper way, damn it!](#) For the photo: [How I have not been holding my fork and knife](#) You can do it. You invade countries and peoples who have been around for millennia and bring them democracy. This is only silverware.

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

China bought nearly twice as much between this August – September as it did last season (34.1 million pounds v. 17.8 million pounds). Sure, the Chinese don't want to buy so many almonds – but what else can these poor people buy? Oregon is not offering inshell hazelnuts. It seems that the growers in Oregon have been promised a Lamborghini with each container of hazelnuts they deliver to their local processor, so the processors there are waiting for higher prices and blaming each other for not offering. After all, they are not greedy, their neighbors are. Walnut prices are over \$3.00 per pound for LHP 20% with no end in sight. Demand for shelled and inshell is spectacular. The cheapest inshell pecans are over \$2.30 per pound inshell basis. Though pecans may see a sharp correction after Chinese New Year, for now domestic and overseas buyers have little choice but to pay the prices growers are demanding. Thanksgiving, Christmas and Chinese New Year demand cannot wait. Pistachio prices are over \$4.00 per pound. So will China stay on this torrid pace of importing almonds? If it does, can prices be sustained or are prices headed for another crash after Chinese New Year (which is early this season, on February 3, 2011)? Should Liu Xiaobo have been awarded the Nobel Peace Prize? Is it true that one should never get involved in a land war in Asia?

- **U.A.E.** Ya you know me. Wait, that's O.P.P. – never mind.² Middle Eastern importers have been selective, but they have been buying Nonpareil and Carmel / Monterey whenever they could find a good price. After today's shipment report, they may be back next week wanting to confirm the offers they were not interested in this week. Talk of an Iranian ban on almond imports from Dubai has importers there apprehensive. My friend and yours, President Mahmoud Ahmadinejad, seems to be firmly back in the insanity saddle.³ Compounding matters is the news that the UAE Central Bank is not accepting incoming wire transfers from Iran (as part of UN sanctions). Iranian purchases account for around 35% of shipments from Dubai. If almonds do not get to Iran from Dubai (either because of import restrictions or the restriction on remittances from Iran), then importers in Dubai will have a harder time disposing of their stocks. Prices in Dubai could weaken.
- Who has inshell Chandlers to offer?

Commitments

Committed shipments are 512 million pounds - up 29% domestically and 17% for export. Hey, the ABC publishes it, we report it.

Currency

\$1.39 = €1.....and \$1.85 per pound for BSU5% is too expensive? Really?

Colony Collapse Disorder

As all of us in the almond industry know, since 2006 about 40% of the U.S. honeybee colonies have suffered from colony collapse. This past week, a story on the front page of the New York Times ("Scientists and Soldiers Solve a Bee Mystery" authored by Kirk Johnson) explained that a partnership between military scientists and entomologists have identified that "a fungus tag-teaming with a virus" in some kind of co-

² "O.P.P." Naughty By Nature, 1991.

³ President Ahmadinejad, if you are reading this, do not believe the vicious rumors that this report is authored by Ago Dermenjian. That would be like believing that the Holocaust is an actual historical event that took place during World War II in Europe...ridiculous! In fact, this report is authored by Jeffrey Margarian. And yes, the insolence shocks me too. The gall of this Jeffrey.....truly jaw-dropping in his irreverence. I believe he lives in Clovis, California - just in case you need to contact people who know people to deliver him his "Publishers Clearinghouse Sweepstakes" winnings sometime after dark. Wink, wink. Hang in there, Mahmoud. You are misunderstood. All geniuses are in their own lifetimes.....hopefully you will not be misunderstood for much longer.

dependent manner are causing the honeybee die off. There is much more to learn, but this research seems promising as “the virus-fungus one-two punch was found in every killed colony the group studied. Neither agent alone seems able to devastate” but together, they are 100 percent fatal. Seems very conclusive!⁴

Conclusion

The almond market has been relatively quiet for the past month. Until the release of the September shipment report, buyers wanted to wait. Though sellers wanted to sell, they did not want to do so badly enough to drop prices too much. Prices came down as much as \$0.10 - \$0.15 per pound from the peaks we saw in early September. Traders were profit-taking. After all, between mid-July and mid-September, prices went up \$0.50 per pound or more.

The September report will likely result in stable to firm pricing. Many California almond growers also grow walnuts and other tree nuts. They see what is going on in those markets and they don't understand why in a climate of growing global demand for nuts, they should accept prices that do not cover their production costs and compensate them adequately for their work. Moreover, growers expect to have a very strong October and they realize that many markets are still not covered for their December onwards needs.

Almonds are the cheapest tree nut around. Tell a friend.

And no, we are not offering any inshell Chandlers.⁵

“Be sincere; be brief; be seated.” Franklin D. Roosevelt (1882 – 1945)

(Brevity is my goal...baby steps, baby steps).

Best regards,
DERCO FOODS

⁴ OOPS... In further researching this story, today we have come across an article that calls the motives of the study's lead author, Montana bee researcher Dr. Jerry Bromenshenk, into question (CNNMoney.com; Katherine Eban, October 8, 2010). Apparently, Dr. Bromenshenk has received a big research grant from Bayer to study bee pollination. Before receiving the Bayer funding, Dr. Bromenshenk had agreed to be an expert witness in a class-action lawsuit against Bayer. The plot thickens. And you thought the bee world was filled with sunshine, flowers and little girls wearing sun dresses running in fields....think again.

⁵ Unless of course you are a Turkish buyer who is coming with a suitcase of cash, in which case we are always willing to make a deal.