

October 2012 Almond Position Report

October 2012 shipments are 221 million pounds. This is up 0.7% from the October 2011 shipments of 219.5 million pounds.

Analysis of the 2012 Almond Season

Carry-in from the 2011 crop:	335 million pounds
2012 projected crop receipts:	2.1 billion pounds <i>(the accuracy of this figure questioned)</i>
Less 3% loss / exempt:	63 million pounds
Less Shipments to date:	516 million pounds
Less commitments to date:	472 million pounds
Remaining inventory:	1.384 billion pounds <i>(assuming 1.9 billion pounds in receipts, this figure would be reduced to 1.184 billion pounds)</i>

Shipments

October 2012 is the single largest shipment month in the US almond market's entire history. This is especially significant because total supply is lower than last season and prices are approximately \$0.60 - \$0.80 per pound higher than they were last year at this time. The increase in shipments was driven by the US and Asian markets.

Receipts through the month of October (1.239 billion pounds) are up 23.4% over last year at the same time. This is due to the earlier crop, faster harvest, and additional hulling capacity in the State of California. We will have a very good idea of the final crop size within 60 days.

Domestic Shipments

Domestic shipments were 61.1 million pounds, breaking the previous record set in October 2011 by 18%. To put this record number into some perspective, the total shipments for October 2004 and October 2005 combined were 68.73 million pounds. This industry has grown so quickly and the domestic market is responsible for a large part for the stability of this growth.

Export Shipments

Exports in October were 159.9 million pounds, down 4.7% compared to October 2011 (the record at 167.8 million pounds). However, this number of 159.9 million pounds is still the second largest export month in the history of the California almond industry. Despite the fact that many overseas markets were down compared to October 2011, it was still an incredible shipment month. The strength of exports were centered in Asia (up 11% as a region): China/Hong Kong up 14%; Japan up 17%; South Korea up 17%; Taiwan up 42%; India up 17%. Europe overall was down 15% for the month of October. Germany was down 13%; Italy down 35%; The Netherlands down 5%; Spain down 24%. Of the major European markets, only the UK and France were up, 70% and 15%, respectively. The Middle East was down 31% as a region, with every major market down. Saudi Arabia was down 41%, Turkey was down 20%, the United Arab Emirates were down 36%.

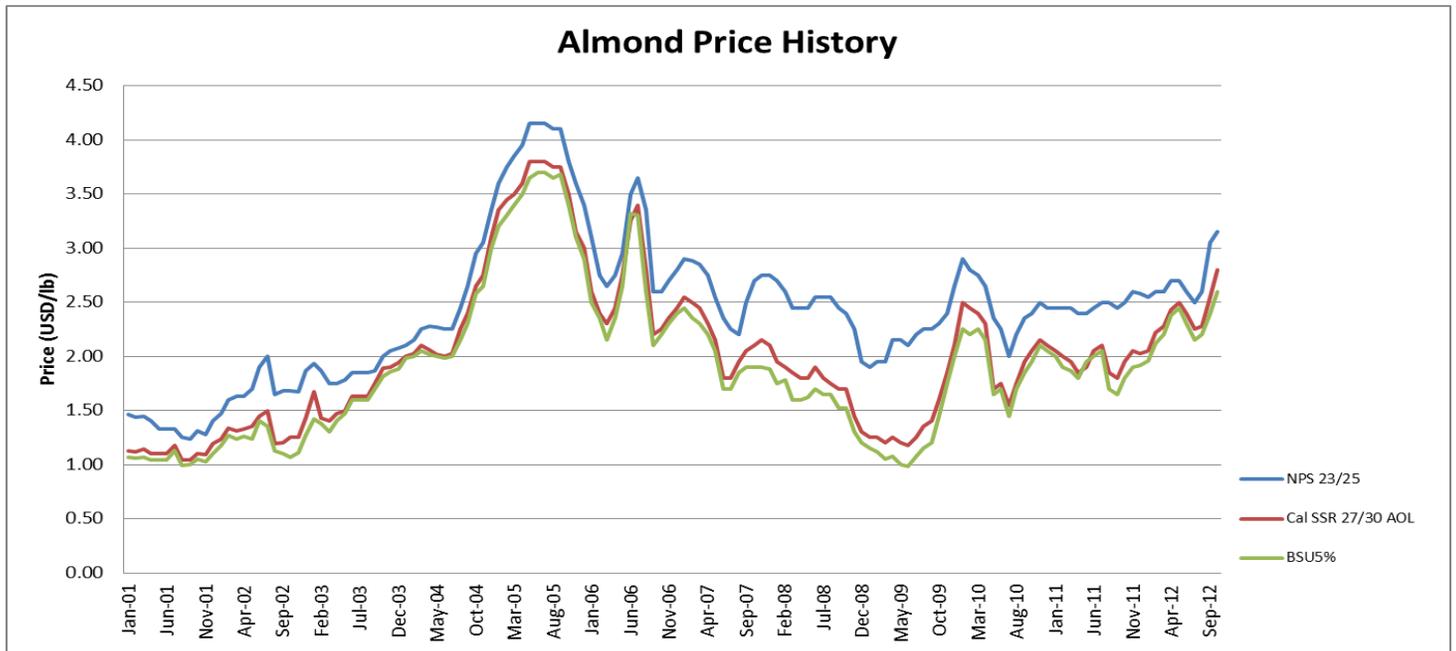
Commitments

Domestic commitments are down 18%; export commitments are down 26%; overall commitments are down nearly 23% compared to last October. This indicates that much less has been sold forward. The information that we have is that Europe is totally uncovered for January 2013 forward. They have a lot of buying to do. We believe that the same is true for the Middle East. Japan and Korea are trying to buy whatever they can in Nonpareil Extra #1 for March – June as they anticipate that the better quality product may be more difficult to find in the latter part of the season (with the higher chip/scratch and serious damage this year).

Regional Shipments

Here are the shipment statistics for shelled and inshell almonds to major Asian and Middle Eastern markets (in pounds) for the 2012 almond season:

Country	<u>August 2012 - October 2012</u>		<u>August 2011 - October 2011</u>		<u>% Change</u>
	Shelled	Inshell	Shelled	Inshell	
Egypt	1,027,500	125,192	1,667,000	245,199	-40%
Israel	615,423	0	742,597	124,433	-29%
Jordan	1,059,000	236,430	1,277,700	192,278	-12%
Lebanon	1,004,500	0	1,244,250	0	-19%
Saudi Arabia	2,059,150	26,766	3,414,111	89,030	-40%
Turkey	3,793,941	9,054,254	5,549,756	5,625,020	15%
UAE	14,995,762	5,135,221	19,395,468	4,615,240	-16%
China/HK	40,817,406	47,429,129	36,498,928	38,509,315	18%
Japan	12,058,849	76,309	9,544,849	8,570	27%
South Korea	12,322,519	0	9,814,955	0	26%
Taiwan	2,561,788	668,228	1,178,119	633,240	78%
Thailand	986,200	0	584,350	123,300	39%
Vietnam	352,000	5,374,813	1,131,093	8,720,471	-42%
India	1,335,218	40,174,412	2,315,402	43,852,480	-10%
Pakistan	218,000	1,215,604	1,411,250	656,119	-31%

Prices

Conclusion

Many people in the California almond industry were expecting a very good shipment month, but few were talking about a new record. So where are we now and where is this market going to go?

From the California side, it is certain that growers and processors will try to increase prices. How much higher prices will go remains to be seen. Buyer reaction and demand will determine how much of an increase, if any, will actually be possible or sustainable.

The Middle Eastern markets are suffering. There are bankruptcies in the United Arab Emirates, many of which are caused directly by the severe economic problems and currency devaluation in Iran. The Syrian civil war is also having an impact on neighboring countries. This region is of course a major outlet for the higher grade products like Extra #1 and Supreme. If the lethargic demand continues, it may be difficult for California sellers to hold the premiums that are being asked for the higher quality and larger sized almonds. Some people believe that the Middle East will not start buying any meaningful quantities of almonds until March-April 2013, which is when they will have to come to market for Ramadan 2013 (starts in early July).

European economic sentiment is very uneasy. Economies are bad. Banks are not lending. Nevertheless, we believe that European demand for almonds will stay stable. This is an established and predictable market. The only question with Europe is whether or not this big October shipment number will make Europeans nervous enough to start buying now for January onwards positions, or if importers there (many of whom still believe that this crop is going to be 2.1 billion pounds) will decide to wait longer and just buy what they need for the immediate future.

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Asian markets should outperform the rest of the world markets. We expect that India, China/HK, Japan and South Korea will set new import records for the 2012 almond crop.

There is a lot of global uncertainty. The big shipment reductions in Europe and the Middle East are proof of this. However, much of the reduction in shipments is also due to hesitance on the part of buyers who are not yet fully convinced that this crop is less than 2 billion pounds. Many are waiting for a falling market and better buying opportunities. This season these opportunities may not come (or may have come and gone quickly during the past several weeks). If the receipts of the next few months conclusively show that the California almond crop is indeed closer to 1.9 billion pounds, then there may be a rush to cover for the January – June period. If there is any poor weather during the critical bloom period of February-March, prices may increase more dramatically.

Let us know if we may be of further service or if you have any specific purchasing requirements.

Best Regards,
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