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November 2006 Almond Position Report

November 2006 shipments were 111.467 million pounds. This is up about 24% from the November 2005 shipments of 89.546 million pounds.

Carry-in from the 2005 crop year: 112 million pounds

Objective 2006 crop estimate: 1.05 billion pounds

Less 3% loss / exempt: (31.5 million pounds)

Total Supply: 1.13 billion pounds

Less shipments to date: (431 million pounds)

Less estimated carry out: (120 million pounds)

Available Supply: 579 million pounds

Shipments and Commitments

Seller's Perspective: Record shipment totals for the first four months of the season; 260 million pounds already committed; 319 million pounds left to move through the remaining 8 months of the season to end up with a carry out of only 120 million pounds. During the past 5 seasons, we have shipped an average of 41% of the seasonal total through November. Applying this percentage to the 431 million pounds shipped so far, we would be on target to ship 1.05 billion pounds this season. In case you're a bit slow first thing in the morning, this spells "B-U-L-L-I-S-H."

Buyer's Perspective: One of our colleagues commented last week: "We will gladly continue to shine our sellers' shoes to get offers through the rest of this season. Next year it will be a different story." Then, to quote Aretha Franklin, we will get some R-E-S-P-E-C-T.

Receipts

Seller's Perspective: We expect hullers and shellers to be working later into the season this year. Some have said that they will be working into January. Considering the lateness of the crop and the fact that, on average for the past five seasons, we have received about 90% of the crop through November – we believe that the final crop will be close to the CASS estimate of 1.05 billion pounds and perhaps even closer to the Almond Hullers and Processors Association's estimate of 1.042 billion pounds.

Buyer's Perspective: It's difficult to disagree with these figures.

Domestic

Seller's Perspective: Record shipments for the month of November – double what we were shipping just 8 years ago. We are seeing the effects of a very strong health message and promotional work spearheaded by the Almond Board of California. There is an undoubted increase in the awareness at the consumer level regarding the heart-healthiness of almonds. Our new slogan: "Almonds – they improve your health while increasing our wealth!" Catchy, don't you think?

Buyer's Perspective: Domestic clients are taking advantage of relatively stable prices to cover their requirements. Last November, the market crash was well underway, but BSU5% was still averaging around \$3.10 per pound – about \$0.75 / lb higher than prices today. Companies for whom almonds are not a primary ingredient – and who cannot change their prices to retailers – purchasing at present levels still represents a comparative windfall. They remain well ahead of last year and are likely to maintain their hand-to-mouth strategy as they wait to see how bloom will progress.

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Export

Seller's Perspective: All major regions are up. Exports this month compared to November 2005 are up nearly 30%. We hear less complaints about price and more complaints about the lack of availabilities and offers.

Buyer's Perspective: We will be the first to admit that the information before us all points to a continued strong market and stable to firm prices for almonds. Our concern, and one that we hope you also share, is that prices should be increased in moderation and with a careful eye on demand. Last year at this time we were in the middle of a price free-fall which helped neither buyers nor sellers. The market was in chaos, defaults were rampant, and our focus was on risk management, not on growing sales. We can manage with prices at current levels. We hope that you, in turn, will market this crop with an eye on the 2007 season. Help us build on our accomplishments and help us open new markets so that we can bring in new consumers. You are going to need them very soon.

Currency

€1 bought an average of \$1.288 in November. For the first 10 days of December, €1 is averaging \$1.33. The European Central bank has recently raised interest rates (to 3.5%) while the US Federal Reserve has hinted that it is finished raising rates for the time being, as most of the recent economic data has pointed to a slowing domestic economy. Several economic commentators have predicted that the USD may fall to \$1.40 against the Euro in 2007. If this trend holds true, then we could see further strengthening in almond prices as the increases will be at least partially absorbed (in Europe) by the relatively stronger Euro.

Other Nuts

The prices of most other nuts, including hazelnuts, pecans and walnuts are firm. Buyers will find little relief in the short term when looking for substitute products.

Conclusion

With every strong shipment month that comes by, we are reminded of the new demand paradigm in almonds. Comparisons to previous years are becoming less and less meaningful. As new markets are being opened and new consumers are coming on board, the perception of almonds in the eyes of consumers is changing. In the domestic market, there is no doubt that people are now looking at almonds as a healthy ingredient and snacking alternative. In export markets, though the health message to the consumer is not yet filtering through at the same speed as it is in the USA, demand remains steady and is growing in many regions.

So far the shipments have been impressive and the price increases have been comparatively modest. The coming months will tell if California is able to maintain pricing at levels that will not stunt demand.

Finally, it's noteworthy that less and less people are talking about the impact of the 2007 crop on the 2006 season. Several months ago there was a palpable concern that demand could be anemic in anticipation of bloom and that good weather in February and March would push prices lower in anticipation of a bumper 2007 crop. But the lesson learned from the pain suffered during last year's correction and subsequent rebound now seems to be manifesting itself. Namely, that a big crop in the coming season does not give you more almonds in the current one. Though we may be setting ourselves up for a big price gap between current crop and new crop, it seems increasingly unlikely that we are going to see anticipatory discounting again this season.

Remember: "The measure of success is not whether you have a tough problem to deal with, but whether it's the same problem you had last year." John Foster Dulles

Happy Holidays,
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