

November 2010 Almond Position Report

Bonus Christmas Poem Inside!

November 2010 shipments are 173 million pounds. This is up over 19% from the November 2009 shipments of 145 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:	639 million pounds
Remaining supply:	1.283 billion pounds

Shipments & Receipts

Seller's Perspective:

Question: What do you get when you combine a huge shipment month with anemic receipts?

- (A) Few offers
- (B) Higher prices
- (C) NASS estimators entering the US Federal Witness Protection Program
- (D) All of the above

Answer: D

Buyer's Perspective: We are hearing about wet nuts, abandoned orchards, a late harvest – but we are still very confident that prices are going to fall. We will explain why later. Be patient, misguided bullish friends.

Domestic

Seller's Perspective: A record at 45 million pounds. Up 25% over last November. It's difficult to fully grasp the extent of the US Domestic market. 178 million pounds shipped through November 30, 2010 compared to 153 million pounds shipped through the same time last year. Buyers who talk about weakening markets and falling prices – and how much China, India and other markets are buying – simply do not see the potential that is actually being realized for almond sales throughout the world.

Buyer's Perspective: Your domestic performance continues to be impressive.

Export

Seller's Perspective: Chinese year to date imports are up 34% over last year. Indian imports are up 26%. UAE up 54%. Turkey up 11%. Admittedly, Europe is down 12%.

Buyer's Perspective: The above may tell you prices are going to go up. It tells us that, other than Europe, most markets are very-well covered for the time being. In fact, some have likely overbought.

Conclusion

Bearish factors to consider moving forward:

- Last year China was on a slower importing pace and essentially bought nothing new between January – May 2010. This had a severe impact on the market in California.
- Last year with less volume shipped Hong Kong became a re-export market. Signs of that are clear already.

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

- Indian imports are 26% over last year – and Hong Kong traders are well positioned with Nonpareil inventory to undercut California when India comes back to market. The volume is unlikely to be huge, but it may be enough to spook smaller California sellers holding inshell to discount and move their product. Talk is that Hong Kong is already offering inshell Nonpareil at \$0.20 per pound below California.
- The UAE / Dubai is up 54% on almond imports compared to the same time last year. The UAE is unlikely to be an aggressive buyer for a few months. If China also slows down, then this may put downward pressure on Nonpareil and Carmel in supreme grades or better.

Bullish factors to consider moving forward:

- Western European imports are down 12%. Spain, the largest importer in Europe is down 21%. Germany, the second largest, is down 10%.
- There is less standard material and less smaller sizes available so far this year. Despite the economic hardships facing many European countries, we do not believe that Europe will ultimately finish the season down 12%. In the meantime, whatever is shipped will be used. Not much inventory will be built up over the holiday season. This tells us that there will be more buying to do after the holidays. If standards are not available, then sized California Select Sheller Run will be substituted, with sellers expecting higher prices.
- Receipts are tracking 1.8% behind last year, when the final crop total was 1.405 billion pounds. How late is this crop? Is there really another 450 million pounds to receive as of November 30th, in order to meet the 1.65 billion pound NASS estimate? Perhaps the answer to this is yes...but sellers are going to be patient waiting to ensure this is the case. We are unlikely to see panic from California unless the receipts figures change dramatically, coupled with a sharp decline in demand.
- Ramadan 2011 is in July. All of those needs will come from the 2010 California almond crop. Arguably Australian Carmel and Nonpareil will take some market share – but this is unlikely to make a significant difference in pricing. The current prevailing almond regime in Australia expects higher grower returns and will not discount prices recklessly.
- Most other tree nuts are more expensive than almonds now. Almonds represent a good value.

We have said repeatedly – and we will say it again – the California almond industry will ship around 1.55 billion pounds of almonds this year. Are we seeing a front-loaded shipping season or a more stable one than we had last year? So far, factors point to it being front-loaded. We simply don't see a strong global demand model shaping up for Jan – March. So if the crop size is 1.65 billion pounds (or close), it is likely that this market will fall after the holidays. If, on the other hand, NASS missed this crop, or if the nuts that were late being harvested have been seriously compromised due to the rains, then we may well see a firm market all year.

Three big factors will affect the direction of prices for the rest of the season:

- (1) The ultimate 2010 crop size.
- (2) 2011 Bloom forecasts.
- (3) Grower/Processor patience and effective cash flow management.

“How little you know about the age you live in if you think that honey is sweeter than cash in hand.” Ovid (43 BC – 17 AD).

Best regards,

DERCO FOODS



'Twas THE NIGHT IN MODESTO

Twas the night in Modesto, five months after NASS,
The Almond world was gath'ring, to kick estimator ass.
The V8s were humming with gas-guzzling flare,
The ozone was thinning in the chilly night air.
On Chevy and Hemi and Extended Flat Bed,
Let the tree-hugging sissies drive a Prius instead.

Sold out! The exhibitors booked up all the space,
To cater to the needs of their almond growing base.
How can you sell a Sortex, Sataki or Best,
When your clients are lacking in money or rest?

Grab a drink and complain about NP receipts,
Grab another and compare your summer retreats.
Low prices, high taxes and other such rants,
With that Muslim Obama's black hands in your pants.

Sleep it off in your big complimentary bed,
'Cause your Bayer rep wants his name right in your head.
Borrell, the gold sponsor, is happy to pay,
They seem to work hard, but install with delay.

Come down for the morning's early registration;
Get your Harris-Woolf bag and lunch certification.
You're too late for dinner, but BASF has a ticket,
Just buy enough chemicals and surely you'll get it.

Look around to see who is attending this year.
Are they happy to see you or shedding a tear?
If they sold early they'll feel some deprivation,
But China's reselling, so find motivation.

Lobby talk shifts to markets, you're ready to hear.
It's the same old drivell, with no Brit to fear.
Oh wait, he's still here, just not in the UK.
Mails come from Monaco, resting near the quay.



Alonso's wife got old – to his guiles turned resistant.
So the bastard he married his office assistant.
Partied in Alicante with drinks, nothing wanting.
Paid with the money that he saved by defaulting.

China, the dragon, a godsend from the East.
Eating our almonds like an insatiable beast.
Human rights not their strong point, they kill all their flunkies.
On the high speed rail they make us look like big monkeys.
While our Congress fights 'bout the who, what, where and when?
They make decisions with the swipe of a pen.
The Dalai Lama's a champ, though Tibet is still crying.
Their currency undervalued, but who cares if they're buying?

The Japanese are not buying so much anymore.
They're getting much older and not looking to score.
No kids, few jobs and too hooked to the smoky.
Only so many ways to put nuts in your Pocky.

In India they're obsessed with nut fumigation.
No doubt they're the hub of global sanitation.
The country is thriving, but in your caste you stay static.
We embrace all progress as long as it's bureaucratic.
Don't worry about whom you think we are bedding.
We need cheap NP, this is not a cheap wedding!

The Mid East is still growing – our almonds they love.
Procreation's not lacking, command from above.
Nothing says "celebration" after a much needed stoning,
A Jordanian almond's crunch to conceal all the moaning.

Europeans, when they're solvent, we love them so much.
But lately their PIGS need an American-style crutch.
Their Euro each day we check when we wake.
The stronger it gets the more money we make.
Marzipan – hug a German; Spanish Turrón for the masses.
To the young – "Eat more almonds!" so we don't kick your asses.





Let's not forget our much beloved U S of A.
More spoiled and entitled and whining each day.
The Dems want to give all the bums a free ride.
The Right wants to show it's compassionate side.
Global warming a myth that "elites" believe,
Evolution a hoax that "scientists" conceive.
Jesus rode a T-Rex, we believe in creation.
Gays want to marry, biblical abomination!
Migrants stealing our jobs, borders with no sentry.
Economy's struggling, let's bomb a new country!

This poem please take with a grain of salt.
Laugh at yourself and laugh at my faults.
My reports they are ceasing, this has been the last.
You're free, you're free, you're free at last!

Best wishes to you and your families for a healthy and happy holiday season.

May 2010 bring you all much peace, joy & laughter.

