

November 2012 Almond Position Report
Christmas Poem Included at no additional charge¹

NEWSFLASH: LA/LONG BEACH STRIKE OVER. INEFFICIENT AND UNNEEDED UNION CLERICAL JOBS SAVED INTO PERPETUITY TO ENSURE CONTINUED UNDER-PRODUCTIVITY OF WEST COAST PORTS!!

NEWSFLASH: GLOBAL COMPETITION A MYTH. HOW TO PAY MORE AND GET LESS...WITH AN ATTITUDE. BIG FOOT SIGHTINGS. LOSE WEIGHT ON A CHOCOLATE DIET. LATEST KIM KARDASHIAN PHOTOS....ALL INSIDE.

November 2012 shipments are 184 million pounds. This is down 13.7% from the November 2011 shipments of 213 million pounds.

Analysis of the 2012 Almond Season

Carry-in from the 2011 crop:	335 million pounds
2012 projected crop receipts:	1.9 billion pounds <i>(we have revised this number from 2.1; see below)</i>
Less 3% loss / exempt:	57 million pounds
Less Shipments to date:	700 million pounds
Less commitments to date:	394 million pounds
Remaining unsold supply:	1.084 billion pounds

This was the best shipment number that buyers could have hoped for under the circumstances. For the past few weeks, the talk in California was how good November shipments were going to be. This fervor was heightened during the past several days: "Great shipments," "Possibly more than last October," "We don't want to offer today and leave money on the table for Monday," etc. etc. Well, it didn't happen. At least not at first glance compared to last season.....but there is a bit more to the story (as there always is in this industry, right?).

184 million pounds did not surpass last November's astounding 213 million pounds, but it's still the second largest November in history. It's easy to overlook 184 million pounds, but this is 6% higher than the next biggest November shipment figure (which was November 2010). And that number of 173 million pounds was hailed as a miracle, because it was about 20% higher than November 2009 (145 million pounds).

Almond industry members from all around the world will be on their way to the Almond Conference in Sacramento next week. With what will likely be hundreds of identical hallway conversations about the market...here are some of the likely talking points you will hear...over and over and over again....

BUYER'S PERSPECTIVE

- Shipments are falling; November down nearly 14%
- Seasonal shipments now negative, down 1.38% - California is pricing itself out of the market.

¹ The only free thing in the nut industry these days. Just remember, you get what you pay for.

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

- Exports for November are down 19%
- Exports for the season are off pace: Western Europe down 6%, with Europe overall down 3%; The Middle East down 29%; India down 6%; China up *only* 5%...which essentially is the same as any other country being down (....in fact, China/HK is down 14% for November....what's next, the saga of Princess Catherine's morning sickness is going to dominate the news in the US for the better half of a week? What?....No, Really? Oh...then never mind.)
- Domestic commitments down 21%; Export commitments down 25%; Total commitments down 23%
- Uncommitted inventory up 79%
- Global economic situation: dire
- Middle Eastern political situation: dire
- End of the world...coming on December 21. Just ask the Mayans. And I have to drive to LA on that day. Expect heavy traffic.

SELLER'S PERSPECTIVE

- November shipments were lower than we thought, but still the second best ever.
- Domestic shipments a new record – for 10 out of the last 11 months. The world's biggest almond market is healthy.
- December shipments are likely to be a new record.²
- Receipts....receipts....receipts....1.576 billion pounds and 9% ahead of last season. And? In our opinion, this is a bullish number. The crop was early and came in fast. Unlike last year, hullers will not be operating into the spring months. Looking at the average of the past 6 seasons, by the end of November, the crop is 81% received. But this figure includes the past two seasons which were both wet and late crops. These were outliers. Leaving the last two "wet and late"³ seasons out of the calculation, the average received by end of November is 85.5%. Based on this, and considering the expanded hulling capacity in California, we believe that this crop will likely fall somewhere between 1.8 – 1.9 billion pounds.

² We did not agree that November was going to be a record. Our shipments did not indicate that would be the case (and everyone who is anyone knows that Derco's shipments are the monthly reporting gold standard....but let's just keep that our little secret....some big shippers may think otherwise, and until we develop a video blog of our own, there is nothing we can say). Processors with a big domestic presence were dominating the "November is going to be a record" discussion and now we know that they were right – but just for their US market. We do believe that December will be a very good shipment month.

³ A footnote to ensure that you noticed there was no footnote here. Weaker people would have taken the lurid bait.

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

- If the crop is 1.9 billion or less, shipments need to continue to fall. The industry *shipped* 1.9 billion pounds in the 2011 season...and 1.18 billion pounds of that was between December 2011 and July 2012. Based on a crop of 1.9 billion pounds (our optimistic projection for the 2012 crop), we have 1.084 billion pounds to sell for the remainder of this season. This does not account for any carry-out. You can do the math. We have no reason to be worried. In fact, shipments need to drop more and that is not likely to happen in December. Our numbers look good.
- Almond demand overseas is not going to go away. People are reacting to economic and political turmoil and being cautious. The numbers speak for themselves. But Middle Eastern and European markets are uncovered for January onwards (the commitment numbers are proof). There is little inventory in warehouses abroad and most of the new buying is going to come through the form of new purchases from California. We also expect strong Asian demand in the spring.
- If California can show some patience, and continue to support the hand-to-mouth buying that has been “en vogue” the past several seasons, then this market will stay firm.

CONCLUSION

Normally a big monthly drop in shipments would be more meaningful. Looking at the overall market situation and considering all the factors, we don't expect any serious market correction in almonds. We may see prices soften a bit....but we will be surprised if there are many growers or processors who panic.

Savvy buyers will jump on any price correction as a buying opportunity. The less savvy will wait for a bottom that is not going to come....like those who were waiting for \$2.45 per pound NPX 23/25. Some are still waiting. They should get comfortable.

Sellers feel little pressure to chase the market. For the most part, they are very comfortably sold in December and some even more than comfortably sold.

“Holidays are an expensive trial of strength. The only satisfaction comes from survival.” Jonathan Miller.

With that said....

Happy Holidays,
DERCO FOODS

.....**bonus poem below**.....



Ode to Not Much

Sacramento's the venue for the annual reunion
The almond world meets for its holy communion.
Modesto was fine when the crowds were more modest.
But this group's too stylin' to be perfectly honest.

All want a piece of this lucrative business,
The money's too good to not want to bear witness.
The bravado comes easy when the money is flowing,
Small office, computer, a dog and you're going.
Stock brokers, pot smokers all begging for action,
Haven't seen what will happen at the first big retraction.
They'll cry and complain and find reasons for running.
The industry's tolerance for crooks, well – it's stunning!

So what's new this year? Oh, it's the same 'ol NASS figure.
We love to doubt it claiming it's smaller or bigger.
This crop was much smaller, NASS just couldn't be right.
But as the months pass us by, well...maybe....it might?
Some said there were simply no nuts in the tree.
Well now maybe, perhaps, quisas, possibly?

We scared the hell out of buyers all 'round
Told them "Too late!...No nuts can be found."
We huffed and we puffed prices higher and higher.
Our aim was to reach the peak of the spire.
We raised prices daily and bragged morn and night,
That despite what they offered it just wouldn't be right.
Two-sixty, two-seventy, two-eighty – not enough!
We passed by three like it was marshmallow fluff.
Said "Friends, your chance lost after hitting two-fifty."
Forgetting they're the reason our lives are so nifty.
Then they stopped, had enough and the prices they flattened.
The turkey we'd been feeding just maybe too fattened.



No matter, our shipments this season they flourish.
For exports, it's the Asians we just love to nourish.
The Chinese eat our nuts but don't know what to call 'em.
Xingren, Badan Mu, Bian Tao – they still love 'em.

South Koreans buying almonds, big stats they compile.
Eat them roasted or salted or straight Gangnam style.
North Koreans can't buy almonds; Kim Jong Un he's the hottest.
Sexiest man - maybe not – but surely the oddest!

In Japan men come first and women come second.⁴
When it comes to almonds they need to be reckoned.
In Mumbai and Delhi they soak them at night.
From Kashmir, duty-free pisses off the upright.
Europeans unhappy, their news badder to badder,
Demand there it's flat though they still think they matter.

The Mid East striving hard for intelligent debate.
From inventing zero....they've come to this fate?
In Iran and Syria, what are these guys thinking?
If they weren't devout Muslims you'd think they were drinking.
The Israelis bombing Gaza; Palestinians, Tel Aviv;
For millennia they're fighting for what they believe.
Abraham would be crying if he could see his dear children;
Trying to blow each other into eternal oblivion.
For Dubai, all bad news – they're all driven by money.
Less almonds sold means no dates with your honey.

⁴ Austin Powers: International Man of Mystery (1997) – quote by the character Allotta Fagina. This characterization of Japanese men and women is for humor/satirical purposes only and does not reflect the views of the “poet,” (admittedly very loose use of the term) who, by almond industry standards, would likely be classified as a liberal feminist. Please no shock and/or disdain.

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



In the US we just borrow, we don't care how to earn it.
No taxes, free lunches. Debit note due? Just burn it!
Abortion, religion, gay marriage, healthcare;
Obama the socialist and Romney the square.
In snacks and in cereals our almonds are rockin'.
From all walks of life, the buyers they're flockin'.
Americans reach for their heart healthy nuts,
To offset the cream cheese, chocolate cake and big butts.

That's it for this year. Hope you'll have a good season.
Let's hope that 2013 is filled with more reason.
We're all part of this planet: blind to race, creed and color.
Let's care for our earth and kill less of each other.

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

May 2013 bring you all much peace, joy & laughter.

