

November 2014 Almond Position Report

Free Crossword Puzzle Inside

November 2014 shipments are 145.5 million pounds. This is 26.7% lower than the November 2013 shipments of 198 million pounds.

2014 Almond Supply

Carry-in from the 2013 crop:	350 million pounds
2014 crop size:	1.85 billion pounds (revised from NASS's 2.1 billion)
Less 3% loss / exempt:	55 million pounds
Less shipments to date:	654 million pounds
Less commitments:	455 million pounds
Remaining unsold supply:	1.036 billion pounds

Shipments are off dramatically, but so are receipts. It now seems clear that the NASS estimate of 2.1 billion pounds will not be reached and that all those who were questioning the crop size were right. With today's number, 1.95 billion would seem to be a ceiling, and an unlikely one at that. We are going to use 1.85 billion pounds going forward, unless and until we are proven wrong by unexpectedly late and large receipts – an unlikely scenario considering how early this crop was harvested and the increased hulling capacity in California.

In regards to exports, all major markets are down: Asia -33%; Europe -33%; Middle East -41%. No question that a good portion of the decline is due to higher prices and the difficulty that many markets are having in digesting these new levels. But we should not underestimate the impact that the port slow-downs have had on exports from the West Coast. We believe that a considerable number of shipments which would have otherwise left in November will end up showing up in the December report. We will leave commentary of the domestic market, down 12%, to more knowledgeable commentators, of which there are many.

It may be counterintuitive, but this report may not be as bearish as it seems. Certainly, shipments taken alone would constitute a "Titanic" moment. But they cannot be taken alone. They must be taken hand-in-hand with receipts. We are now looking at a crop of 1.85 billion pounds and a remaining unsold supply of approximately 1 billion pounds (1.491 billion taking commitments into consideration). If we can agree that a targeted carry-out of 300 million pounds is eminently reasonable, then shipments between December and July need to average 148 million pounds, which is the average we have indeed seen for the past 3 seasons for this shipment period (though prices were admittedly lower than where they are now). Considering that most global markets are uncovered for January onwards shipments, the iceberg may be smaller than at first glance.....though as with all icebergs, they tend to be well-disguised and bottom heavy. Time will tell, as it always does, but we would not bet against California growers' patience and unity. As we have already seen this season, the graves of many are lined with short positions.

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PRICES

Here is a summary of the market movement for the past 5 years.



After a decline of around \$0.30 - \$0.40 per pound, the market recovered during the past several weeks. BSU5, which fell from \$4.15 per pound to around \$3.90 per pound is now trading at \$4.00 per pound or higher, with limited offers. The domestic market's appetite for almond milk and other snack products containing almonds has taken a lot of the industrial material out of circulation and limited the downward price correction for this segment of the market.

The higher end of the market, led by Nonpareil, has also recovered, though not to the extent of the lower qualities. After hitting a high of \$5.00 per pound, NPX 20/22 is today trading around \$4.65 per pound. How prices react following this shipment report will depend on California's patience. Overseas buyers will have a difficult time disguising their uncovered positions for January onwards, but sellers in California who have not participated in the market in recent weeks may have more inventory on hand than they care to admit. As always, it will be a battle of wills, psychology and real need. Few buyers are going to go long at these prices. Few sellers are going to sell too far forward. Everyone is going to monitor the rains and the ongoing drought situation.

Today, on the eve of the Almond Board Conference, we are going to forego a more detailed analysis and instead embark on a massive digression. As always, it's your prerogative to simply delete this message. Last we checked, this was a publication that was being distributed at no charge. Our feelings will not be hurt (unless you tell us)!

WEST COAST PORTS

Like many of you, as we watch with dumbstruck amazement the massive disruptions and economic losses being caused by the ILWU (International Longshore and Warehouse Union) at our West Coast ports, we cannot help but think that something in our society has gone wrong. There was a time and place for unions. But that time has moved on and that place is no longer in the United States. In America, there is an actionable outlet for virtually every commercial grievance. There are administrative regulations, statutory protections and a robust legal system filled with countless plaintiffs' attorneys who would love nothing more than to represent the rights of 'wronged' workers against dastardly, capitalistic and greedy employers in a court of law. Yet here we have union members, many of whom are making well in excess of six figures a year, and who have a benefits package that would make most other workers in our country salivate with jealousy, holding our economy hostage.

Though we recognize that many view this as a partisan matter, with Democrats getting the majority of union support during election cycles, we prefer to see it as a matter of common sense. There are objective and quantifiable norms that can be looked at to compare the relative pay, benefits and status of an ILWU worker vis à vis the status of all other similarly educated and trained workers in the US and even abroad. At some point, the ILWU's grievances cease to ring with any meaning. They even cease to ring hollow. They begin to ring with greed and become clearly exposed for what they are: blind adherence to a time that has come and gone; to a time that no longer exists in the reality of most Americans; to a time that should not exist in today's global world driven mercilessly by efficiency and progress.

The sad reality is that the ILWU has a sub-culture of dependency and entitlement which it is feebly attempting to veil under the guise of victimization. Enough. Enough of this charade. Enough of our plastic, superficial and inept media, who is more interested in covering news of Kim Kardashian once again exposing her oversized rear end for public consumption, than covering news of the disruptions being caused at our ports from Seattle to Long Beach. Disruptions which are causing billions of dollars of damage and wrecking entire industries along with the lives of the truly hard working people who are keeping their heads down and doing, or at least trying to do, their jobs. Enough of passive and gutless politicians who time and time again have failed to intervene in the ongoing negotiations since the ILWU's contract expired at the end of June. Enough of a castrated government that, through its inaction, fails to remind all Americans that no individual group's interests can be supported when those interests bring unquestionable detriment to the interest of many.

"A democracy cannot exist as a permanent form of government. It can only exist until the voters discover that they can vote themselves largesse from the public treasury. From that moment on, the majority always votes for the candidates promising the most benefits from the public treasury with the result that a democracy always collapses over lousy fiscal policy, always followed by a dictatorship. The average of the world's great civilizations before they decline has been 200 years. These nations have progressed in this sequence: from bondage to spiritual faith, from faith to great courage, from courage to liberty, from liberty to abundance, from abundance to selfishness, from selfishness to complacency, from complacency to apathy, from apathy to dependency, from dependency back again to bondage."

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Who wrote this? When? Today? Last year? Twenty years ago? Fifty years ago? One hundred years ago? No. This was written by Alexander Fraser Tytler in **1770** in his work Cycle of Democracy. It was written two hundred and forty-four years ago.....and rings more true today than ever.

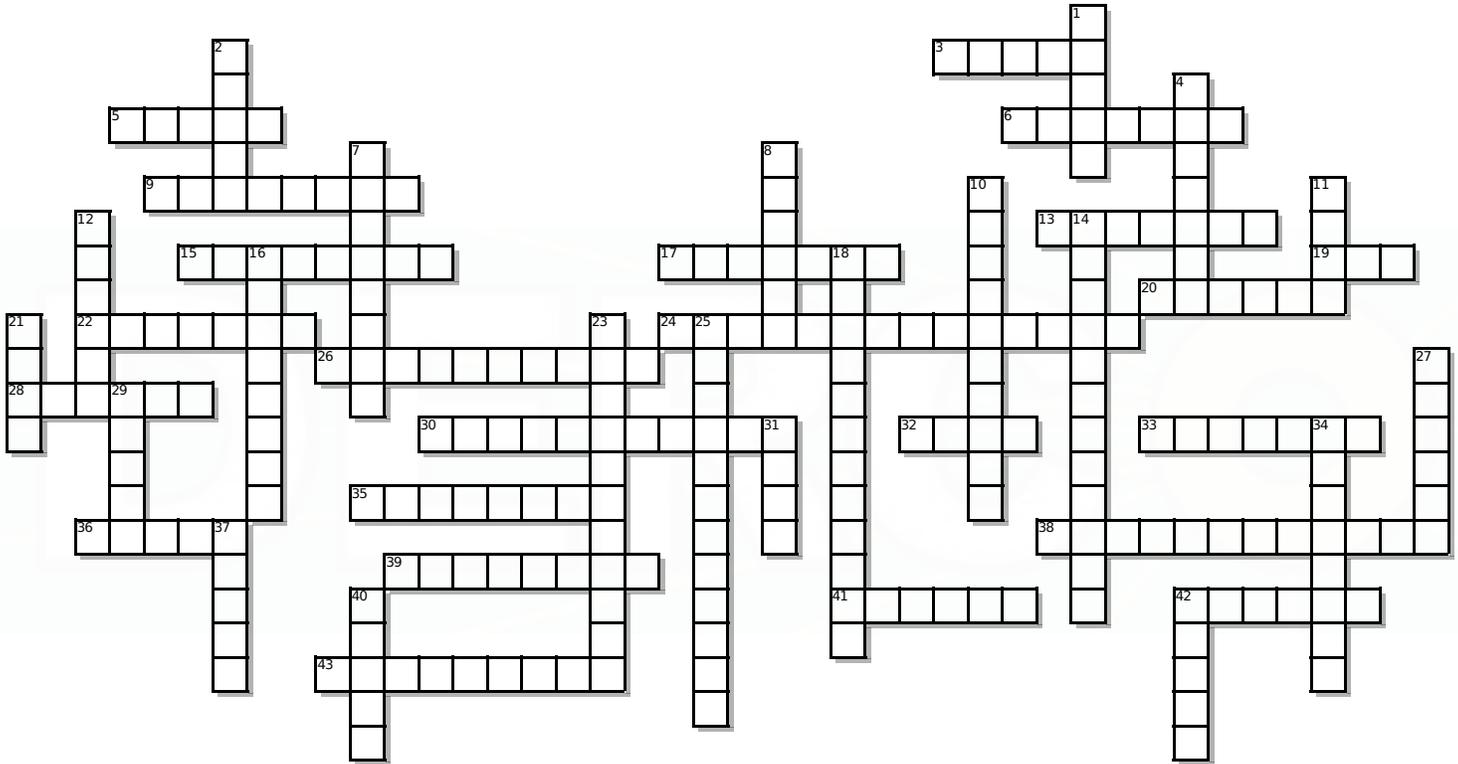
“I know the answer! The answer lies within the heart of all mankind! The answer is twelve? I think I'm in the wrong building.” Charles M. Schulz (1922 - 2000)

Enjoy the crossword puzzle.

Happy Holidays,
DERCO FOODS

Crossword Puzzle For Those With Attention Deficit Disorder

No One's In The Mood for an Almond Report



ACROSS

- 3 They may have plagiarized it, but nobody sang the Lambada any better back in '89.
- 5 Place where passion, cardamom and saffron-flavored "badam" milk intersect.
- 6 It used to be an important and definitive part of almond business jargon before its definition was bastardized.
- 9 I didn't mean "the most popular and enduring songs from a particular genre or style," I was talking about almonds.
- 13 Used to be the name for almonds in China....until a few years ago.
- 15 Blue Diamond's new Chairman of the Board.
- 17 He's got Wonderful Halos.
- 19 The best place to nominate your closest friends to win a coveted award.
- 20 First name of the actress who played the most beautiful Charlie's Angel ever (not up for discussion).
- 22 He wants you to go from Good to Great.
- 24 I'm having an old friend for dinner.
- 26 Rod Blagojevich's favorite tree nut.
- 28 The person Richard Waycott replaced as CEO of the Almond Board of California in 2002.
- 30 Used to be known as CAGE.
- 32 Acronym for the organization also affectionately known as "The Liar's Club".
- 33 Sorry I'm defaulting on you, but I can't take your call right now....I'm at the mosque. When I get out, I have to accept Sun Maid's offer. Don't even get me started about Baskan Gida.
- 35 Keep Eva Peron company here (where she has been since 1976) while enjoying a great Freddo Dolce de Leche with whole almonds.
- 36 Became CEO of Blue Diamond in 1991.
- 38 Country in which less than 40% of people have a passport and more than 40% believe in creationism.
- 39 Wrote the lyrics to Almond Joy jingle "Sometimes You Feel Like A Nut" ; those aren't Word Crimes.
- 41 I used to own it. Now I just manage it. Abrazos from Elche, cabrón.
- 42 Your best source for almond industry insights; not the Dutch metal rocker.
- 43 The #1 song in Europe this week. Or how you would describe attending the Almond Board Conference with an "I Love Obama" T-shirt.

DOWN

- 1 It's not a Butte, father.
- 2 Country from which you would most likely receive the following message: "We are looking for mutual benefit and close corporation in atmosphere of serenity and metropolis."
- 4 Country from which you would most likely get a message that starts with: "God bless you. I was the assistant to Olugbenga Ashiru in 2011 and since then have come upon \$100 million that I now need to send to your bank account for safe keeping...."
- 7 Sings the fabulously '80s hit "Je Te Survivrai." Also the first name of a current European president.
- 8 When he played for the Oakland Raiders, they actually won a game or two. Now he is helping you snack more nutritiously.
- 10 How much do these guys think they deserve for taking title, assuming political, financial and credit risk, handling all shipping and documentation, managing claims and paying us in 30 days?
- 11 In the Caribbean, they call it 'liquid sunshine.' In California, they've forgotten what it is.
- 12 Subgenus for almonds.
- 14 It's not a declaration; just an almond variety that needs less bees for pollination.
- 16 Close enough geographically and varietally that some shippers just call it Carmel, though it's not.
- 18 Sammy Hagar and almond growers love this vacation spot.
- 21 Acronym for the anachronistic organization that has taken the economy of the US West Coast hostage. Described by the SF Chronicle as "the aristocrat[s] of the working class".
- 23 Which of the NINE Choirs of Angels from the Catholic Church would be most likely to appear in the film version of Fifty Shades of Grey?
- 25 When I leave investment banking, I want to become an _____.
- 27 The INC Congress was held in this city in 1992.
- 29 The Franciscan friar who founded the first mission in San Diego. He missed being one of the first almond farmers in California by less than 20 years.
- 31 Tamally Maak. Romantic. Arabic. Cheesy. Nuff said.
- 34 The kinds of nights that Chris De Burgh and Elissa sing about. Also arguably the best roasters in the world, when they're not distracted by civil war.
- 37 Mr. Tamer Elemary of Middle East Foods may not think that defaulting on two signed contracts with Derco matters, but other buyers in this country do.
- 40 Country where you did not want to own both an almond processing facility and real estate back in 2008.
- 42 Known for censored Pokey and chocolate Pocky.