

**December 2013 Almond Position Report**

December 2013 shipments are 157.6 million pounds. This is 1% lower than the December 2012 shipments of 159 million pounds.

**2013 Almond Supply**

Carry-in from the 2012 crop:	317 million pounds
2013 crop receipts to date:	1.935 billion pounds
Less 3% loss / exempt:	58 million pounds
Less Shipments to date:	910 million pounds
Less commitments:	429 million pounds
Remaining unsold supply:	855 million pounds

**Shipments & Receipts**

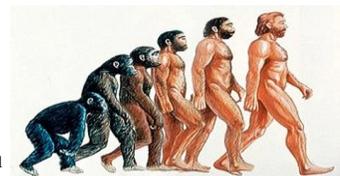
Seller's Perspective: Shipments are right in line with what we thought. A mid-week Christmas break followed by a mid-week New Year's holiday made for an even shorter-than usual packing period and we were still right on target. We packed and shipped as fast as we could during the week in December that we were working! The record for December is 161 million pounds. We'll take 4 million pounds less at these prices and ponder the possible reasons for the decline from our condo in Cabo.

Buyer's Perspective: Yes, we are sure you will. Just a quick note on receipts. Did you notice that Something Funny Happened on the Way to the Forum? Receipts jumped from "We don't think we are going to see 1.85 billion pounds" to "Welcome to 2 billion pound territory." Last season between January – July, another 143 million pounds were received. But this crop was harvested far too quickly and in a much more concentrated manner for that to happen. No doubt. And now, of course, you maintain that you were expecting a crop of around 1.95 billion all along. This is what some people who are smarter than us would call 'incremental evolution:' *The crop will not hit the estimate.....1.85 billion will be the upside....Something close to 1.85 billion....1.85 billion to tops 1.9 billion....Something in the 1.85 to 1.95 range....Certainly not much more than 2 billion.*<sup>1</sup>

**Commitments**

Seller's Perspective: Domestic up 5%; Export up 24%; overall up 14% (429 million pounds v. 376 million pounds last year). You've gotta be really good to be this good.

Buyer's Perspective: Uncommitted inventory up 8.5% (855 million pounds v. 787 million pounds). Likely to increase as your commitment to a larger crop size becomes more committed?



<sup>1</sup> .....Fellow Intelligent Designers, look and laugh! Evolution-Schmevolution! We're sticking with [Raquel Welch and One Million Years, B.C.](#)

**Domestic Shipments**

Seller's Perspective: New record. Up 20%. Brings tears to our eyes.

Buyer's Perspective: Ours, too.....

**Export Shipments**

Seller's Perspective: China? Hong Kong? Vietnam? India? We've heard of those countries. They used to buy almonds. Someone tell them that we are 5.8% ahead of last year on overall shipments, with record prices, while they have gone missing in action (China/HK **-72%**; Vietnam **-93%**; India **-44%**). We may have to send Chuck Norris and Sylvester Stallone in after them....Hopefully things won't get so bad that we'll need Dennis Rodman. Ultimately, exports off by 10% is a great performance considering Asia was down 48% as a region. European shipments once again helped to offset weak Asian demand. Europe was up 26% overall, led by Western European countries. Spain was up 59%, Italy up 96%, The Netherlands up 43% and Germany up 9%. The regions of Central and Eastern Europe were down a total of 7%. Russia was down 22%. The strength of European demand and the region's resilience to increased pricing has been surprising.

The Middle East was again a bright spot, up 28%.<sup>2</sup> December shipments to the region were led by Turkey which took 7.8 million pounds (+67%) and the United Arab Emirates, which took 6.3 million pounds (+14%). Israel was up 107% (but this was only 677,000 pounds). Lebanon, Egypt, Tunisia and Libya were up. All others were down.

Buyer's Perspective: We would have never thought that exports would only be down 10% with China/HK, Vietnam and India down in shipments a combined 24 million pounds. That's a lot to offset, and California, to its credit, manages to find ways to keep shipments robust.

**Prices**

The market has heated up since the start of the new year. Demand from Europe for industrial material has pushed BSU5% prices up over \$3.20 per pound. Demand from the Middle East is keeping Nonpareil and Carmel prices – and anything sized 23/25 or larger – quite firm. Nonpareil 23/25 is now over \$4.15 per pound FAS basis. Inshell Nonpareil prices are now over \$2.70 per pound FAS based on resurgent demand from India.

Chinese New Year (January 31) sales seem to be going slower than at any time since 2006. Despite the fact that shipments to China/HK/Vietnam are overall considerably lower than in previous seasons, this has not 'kick-started' the Chinese market. Government crackdowns on official gift-giving and lavish banquets have taken a toll, as have stricter lending policies by banks. Cash is tight for everyone. High prices have been the frosting on the cake for this market that is still quite price sensitive. There are defaults on all tree nuts in Hong Kong. Almond shipments, despite firm international demand and higher prices, have also been impacted. There are rumors of dozens of 'homeless' almond loads in Hong Kong.

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<sup>2</sup> Relish that sentence for a moment...you don't get to read "Middle East" and "Bright Spot" in the same sentence very often unless, of course, you are talking about a mushroom cloud, topless photos of Nancy Ajram or Dana Halabi, or looking at Halliburton's financial statements.

**Water**

Bone dry in California. This is a picture of me skiing down Mammoth Mountain in California last week<sup>3</sup>:



The good news is that rain is forecast for the second half of this month. Speak with Tom Dunklee for more. California can use every drop.

**Conclusion**

We are learning (or being reminded of) important lessons during this season:

- Missing the crop estimate by just 5% = 100 million pounds. The California crop is grown over such a large geographic area that it's difficult to expect consistently accurate crop forecasts. As long as humans are doing the estimating – no matter how objective they are and regardless of the scientific methods they use – we will not be able to predict crop sizes with unfailing accuracy. We all have to live with this reality. More humility, less bravado. On both sides.
- China/HK, Vietnam and India, though still extremely important markets, will not determine the fate of the California almond industry. No single export region has that kind of power. The industry must continue to nurture them and not allow them to fade. But the overall continued shipment growth despite these countries' temporary 'absence' is undoubtedly encouraging to California suppliers who welcome market diversification.

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<sup>3</sup> Not really, I have much better form, stronger thighs, a flashier outfit and most importantly, a bigger helmet. Posting my actual downhill photo would be demoralizing to the US Ski & Snowboarding Team members who may read this report - though that seems unlikely, now that Blue Diamond stole that sponsorship opportunity away from us! (Great job by BD getting the good word about almonds out on such a global stage.) This is actually Henrik May skiing in the Namibian Desert (photo posted on [www.Ripleys.com](http://www.Ripleys.com)). We're not quite that dry yet here in California....though many West Side growers probably feel like we're not too far away....But of course there's no way we're going to come second to Namibians in anything. Drought! Drought! Drought! Drought! Drought!.....oops.

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- The Spanish crop still matters. It has become less of an exciting topic for global discussion in recent years because it now represents a smaller percentage of overall global production. But when the Spanish crop is poor, European demand patterns are altered – and California clearly benefits.
- The Middle East is a more price-resilient market than California thought. Demand in the Middle East continues to stay strong, despite record high prices. If relations with Iran normalize (or come close to normalizing), shipments will grow even faster. Let’s all hope that Majid Javadi will be successful.<sup>4</sup>
- The health messaging that is pushing domestic consumption cannot be underestimated. The domestic market has become the steel infrastructure of the almond industry. As long as the domestic market stays healthy, California growers are going to have confidence in their ability to sell their crop at good prices.
- Water is king. It is more important than market conditions (price, demand, etc.). When there is no rain and when the focus shifts from selling almonds to saving almond trees, growers transition into another state of mind....and these are California growers, not ones from Colorado or Washington. They are transitioning naturally, not chemically.

“Reminds me of my safari in Africa. Somebody forgot the corkscrew and for several days we had to live on nothing but food and water.” W. C. Fields (1880 - 1946)

Best Regards,  
**DERCO FOODS**



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<sup>4</sup> Sorry - seem to be getting the Showtime show Homeland and reality mixed up. We meant to write “Hassan Rouhani” but “Majid Javadi” came out. You know how it is with those hard names that end in “-i”, not to say anything about those “-ian” ones. Well, anyway, nothing says ‘reality’ more than a blonde Claire Danes wearing a headscarf, attending the hanging of her American marine traitor lover in downtown Tehran, and screaming his name as he dangles from his neck - all the while remaining incognito as a CIA operative. That is one heck of a headscarf disguise or one heck of a stupid crowd. We’re going with the disguise.