

**December 2014 Almond Position Report**

December 2014 shipments are 148.135 million pounds. This is 6% lower than the December 2013 shipments of 157 million pounds.

**2014 Almond Supply**

Carry-in from the 2013 crop:	350 million pounds
Estimated 2014 crop size:	1.825 billion pounds (revised from NASS's 2.1 billion)
Less 3% loss / exempt:	55 million pounds
Less shipments to date:	803 million pounds
Less commitments:	377 million pounds
Remaining unsold supply:	940 million pounds

**Shipments**

Shipments are down 6% for the month of December and 11.72% for the season. But the important information in the December report is the crop receipt total. Receipts are 1.805 billion pounds. It is now clear that NASS (National Agricultural Statistics Service), the government organization that provides the objective almonds estimate, was wrong by roughly 300 million pounds, or around 14%. This is a big miss.

**Commitments** (Almonds that are sold, but not yet shipped)

Domestic commitments are down 7% at 191 million pounds. Export commitments are down 16% at 186 million pounds. Total commitments are down 12% at 377 million pounds. Uncommitted inventory is up nearly 8% at 921 million pounds.

**Domestic Shipments**

Domestic shipments for December are a new record at 48.13 million pounds. This is up 2% from last December's shipments of 47.14 million pounds.

**Export Shipments**

Export shipments are 100 million pounds, down 9.5% compared to December 2013 (110 million pounds). For the season, exports are down 16%.

China/HK is up 131% for the December, but still down 32% for the season. Vietnam is up a massive 1761% for December (about 2 million pounds) and up 16% for the season. Japan is down 12%; Taiwan is down 24%; South Korea is up 17%. India is down 18% (about 1.4 million pounds). The total Asia-Pacific region is up 33% (about 9 million pounds).

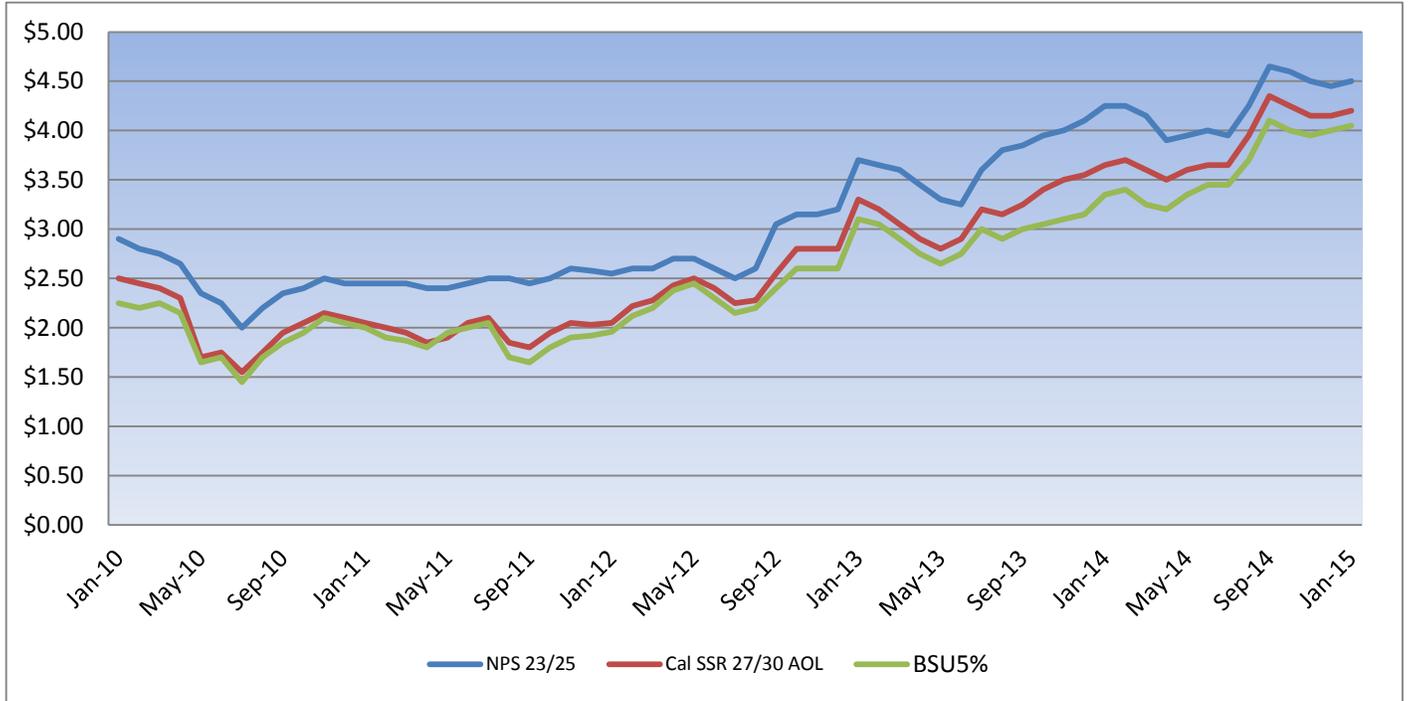
Western Europe is down 19%; Eastern Europe is down 75%; Europe overall is down 25% (about 14 million pounds). All the major markets with the exception of the UK (up 12%) are down.

In the Middle East, only Dubai is up 8% (about 500,000 pounds). Saudi Arabia is down 5% and Turkey is down a massive 79% (more than 6 million pounds). The Middle East as a region is down 36% for December.

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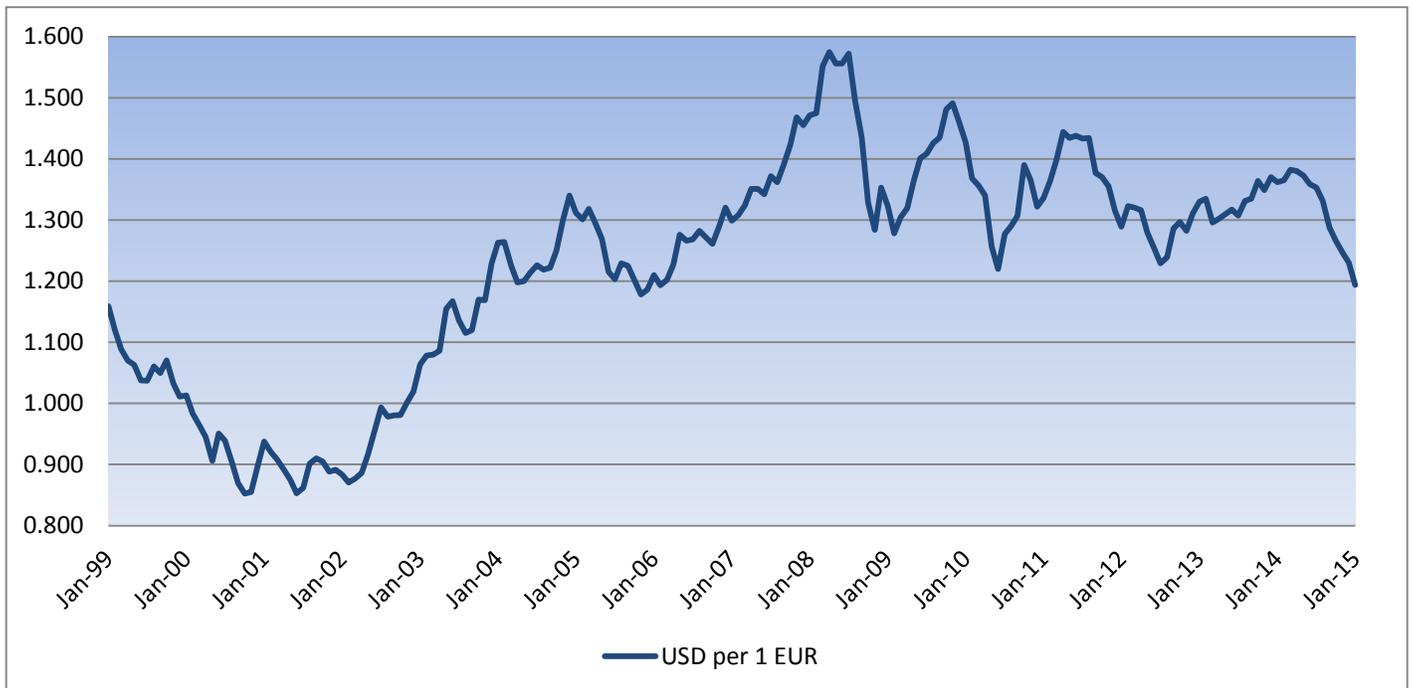
### Prices

Below is a 5 year almond price history:



### USD v. EURO

Here is an update of where the Euro is trading against the US Dollar since inception on January 1, 1999:



### Regional Shipments

Here are the shipment totals for shelled and inshell almonds to major global markets (in pounds):

	<u>August - December 2014</u>		<u>August - December 2013</u>		<u>% Change</u>
	<u>Shelled</u>	<u>Inshell</u>	<u>Shelled</u>	<u>Inshell</u>	
<b><u>EUROPE</u></b>					
France	8,688,870	51,318	10,113,065	81,474	-14%
Germany	55,506,792	31,260	60,314,916	125,220	-8%
Italy	16,703,947	1,104,275	21,779,400	1,138,550	-22%
Netherlands	22,243,852	0	21,897,634	0	2%
Spain	55,707,007	491,973	75,277,145	1,136,685	-26%
U.K.	11,305,862	0	12,231,227	41,013	-8%
<b><u>MIDDLE EAST</u></b>					
Egypt	1,549,000	89,526	1,879,500	0	-13%
Israel	2,729,412	374,656	1,319,800	241,228	99%
Jordan	843,750	304,421	2,524,750	382,963	-61%
Lebanon	1,259,500	5,250	2,045,250	0	-38%
Saudi Arabia	2,961,725	135,973	4,596,550	160,750	-35%
Turkey	12,473,433	4,456,720	17,819,500	16,781,362	-51%
UAE	28,750,883	7,202,579	34,448,342	5,263,329	-9%
<b><u>ASIA</u></b>					
China/HK	37,046,633	42,235,314	57,449,248	59,703,852	-32%
Japan	24,780,089	82,048	30,529,452	81,277	-19%
South Korea	21,737,482	0	22,573,145	161,091	-4%
Taiwan	6,028,150	309,527	7,663,931	415,598	-22%
Thailand	1,630,850	0	1,953,750	0	-17%
Vietnam	549,368	16,367,613	790,950	12,975,565	23%
India	4,032,886	63,486,150	1,790,106	47,234,293	38%
Pakistan	44,000	1,693,460	262,000	778,370	67%

### Conclusion

Here are some thoughts about the almond market worth considering as we look forward:

#### Bullish Factors

- The 2014 almond crop will not exceed 1.85 billion pounds.
- California snowfall totals are below average at a time where they need to be well above average.
- Growers in California are confident and unified. They control over 80% of global production and are becoming very skilled at raising prices or withdrawing from the market in unison.
- Most markets do not have big inventories and will need to buy regularly between now and the new crop.
- The almond health message continues to be a very strong driver of demand, especially in the US market.
- Many other tree nuts, including walnuts, pistachios, pecans and hazelnuts are more expensive than almonds.

### Bearish Factors

- Global economies are weak.
- The Euro is weaker against the US Dollar.
- There is continued political unrest in the Middle East and Russia.
- Prices are high and almonds are not an essential foodstuff. Many people in developing markets simply cannot afford to buy almonds at current prices.
- Shipments for Chinese New Year are finished; though demand for the second half of the season is expected to be good, it seems clear that shipments to China will be down considerably for a third consecutive year.

The ILWU (International Longshore and Warehouse Union) is causing havoc at West Coast ports from Seattle to Long Beach. The situation has been a mess since their contract expired on June 30, 2014, and it is not showing any signs of improvement. With the agreement of both the Pacific Maritime Association (PMA) and the ILWU, a mediator has been dispatched from the Federal Mediation and Conciliation Service. No one knows what will happen next, but anyone involved in importing or exporting product from West Coast ports knows what a nightmare the ILWU has helped to fuel.

The bottom line, as we see it, is that growers are not under much pressure to sell their remaining inventory and can do so in an organized and controlled manner. The remaining inventory is approximately 1.3 billion pounds, of which about 920 million pounds is unsold (deducting the committed shipments of 377 million pounds). In order to have a carry-out of 325 million pounds on August 1, California needs to ship 140 million pounds per month between January and July. This may seem optimistic at the current prices, but it is certainly possible. The average monthly shipments during this 7 month period for the past 5 seasons have been 133 million pounds. The 3 season average for this same period has been 145 million pounds.

The outlook for the 2015 crop is unclear. Most global markets need to buy more almonds. Growers are in a financially strong position. If it comes to a patience game, growers will likely be able to wait longer than buyers. If the El Nino weather pattern materializes and results in above average rainfall between now and the spring, then the situation may change slightly in favor of buyers. But growers will argue that the rain will be coming too late and temperatures will be too high to create the needed snow pack in the mountains. In the short term, we see a stable to firm market.

Best Regards,  
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