Treehouse California Almonds, LLC.
Monthly Almond Market Update
November 11, 2015

Shipments of almond from California handlers totaled 162.6 million lbs in October, down 20.6% from shipments of 204.6 million lbs in October a year ago. Uncharacteristically domestic and export shipments were similarly pruned, with domestic down 21.4% and export down 20.2%.

October crop receipts totaled 527 million lbs, a 50 million lb slow down versus receipts of 577 million lbs in October last year. Total receipts for the season now stand at 1,449 million lbs, down 68 million from a year ago. The 2015 crop came in quickly from the field and there should be little excuse for hullers to slow down in October and we might infer (although perhaps a little early for such prognostications) that the crop is tracking the Objective forecast of 1800 million lbs, down from 2014 final crop of 1868 million lbs.

Commitments at 446 million lbs are little changed (up 6 million lbs) from last month, pointing to new sales of 168 million lbs. This is down from September and well off last October new sales of 276 million lbs.

Almond prices over the past month have reflected growing concerns that shipments are slowing and that the crop might not be as off as early harvest results suggested. For the first half of October prices bounced higher from a 50 cent correction seen in September with standards popping about 20 cents up to around $4.20 per lb, but were unable to sustain as buyers backed off and some sellers that had been caught flat footed continued to offer into thin demand. By the beginning of this week standards were seen closer to the $3.70 to $3.80 range. Nonpareil 23/25 is now seen in the $4.50 to $4.60 range. Manufactured pricing is showing the usual reluctance to move as quickly as brown skin, with sliced and sliver last traded in the $5.00 to $5.10 range.

In short the slowing demand has been due to high pricing, but for context here are some of the exacerbating factors in play this season:

Lower pricing on competitive nuts compared to a year ago – walnuts, cashews, hazelnuts.
Strong dollar providing double whammy for overseas buyers.

Defaults in Dubai forcing reselling – primarily Nonpareil containers.

Chinese traders less confident than last year (devalued currency, reduced economic growth outlook), while recent smuggling related arrests have dampened enthusiasm.

Indian industry digesting high price purchases done before the season. October Indian imports at 12% higher than last year while helping the California export totals do not bode well for the

Indian domestic market as high priced purchases will continue to land over the next month or two.

Several decent little storms to start the winter and El Nino promising more to come. While never a guarantee, the odds are more in favor this season.

Today's report shows season-to-date industry shipments lagging 77 million lbs behind last year. Meanwhile if we pencil the crop at 1800 million lbs (the NASS Objective number) we will have about 70 million lbs less supply. Consequently if California can ship at the same rate as last season over the remaining the 9 months there will be balance with a similar carry-over to last year. Price levels have now corrected to similar ranges we saw in mid-August last year, which worked to sell the bulk of the 2014 crop, suggesting that all things being equal that current pricing should suffice.

However all things are not usually equal. Another key difference this season versus last year has been price progression. Price started high and have moved lower, eroding buyer confidence and damaging usually reliable distribution channels. This is particularly true in key trader focused markets (India. China, Dubai). Today's report will likely not provide a confidence boost and more time is likely needed before we hammer out a bottom.

California sellers will be best served to take a step back and allow the market to regroup. Strong underlying demand will continue to serve the industry well and patience needed. However given the patchwork of seller situations this will likely not be exercised uniformly.

Take care!

Jonathan Meyer, *CEO*

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