



Predictions and Trends for the California Almond Market

June, 2007

Market update:

Buyers are being just plain rude. They are laughing and have lost all sense of civility. *“I need some more almonds for July but I will wait and make you beg when we get there.”* *“How are those cocky growers of yours doing now?”* *“Payback is a bitch!”* These are just a few examples to illustrate the niceties I have had to tolerate the past week or so.

Differentials between the 2006 & 2007 crop were roughly 40 cents per pound in mid-May. Now they are down to about 15-20 cents and shrink daily. Demand for current crop Nonpareil doesn't exist, while Cals are trading thinly and cheaper every day. I get the feeling that the CAEA (our industry's version of a cartel) is breaking ranks.

Shipping numbers would suggest that demand isn't on the verge of exploding as a result of cheaper prices. Sorry, no good news on this front. With two months remaining in this shipping season, we don't need to sell one more pound to achieve above average shipments for June and July. That number was 134,043,245 pounds (see commitment numbers lines 12, 13 & 14) according to the latest ABC position report, which is the most likely reason that those holding the 156,135,586 pounds (line 15) of unsold almonds are so eager to cut their prices every day.

25 years.....

With the publication of this year's final payments, I am allowing myself one last diatribe that you have to suffer through with respect to our 25 years as California's leading almond marketing company. Recently it occurred to me that there are NOT nearly as many pistachio, walnut, or cotton marketing companies as there are almond processing and marketing companies. There are currently about 110 registered handlers with the ABC vs. maybe 15 walnut handlers and 10 pistachio handlers. I don't know how many cotton merchants, but that number is on the decline as they are looking at becoming almond merchants. Granted, the almond industry is larger than either walnuts or pistachios, but the ratios are still skewed. What makes vertical integration for almond farmers into almond marketing so much more appealing than in other commodities?? Judging by historical pool returns from our competitors and some of the numerous disasters such as Con Agra, SNA, Brenda Mesa, Sun River, Golden Gem, Hansel Almond Packers, Cal Cot and Treehouse.... It is quite fascinating the rate at which farmers want to become hobby almond processors and commodity traders. I call them hobby traders because I assume their farms are full time jobs and that they run their marketing companies in the evenings and weekends when and if they have the time to do so. Whatever the case, if you are going to have 109 competitors, I guess it is better to have 109 competitors that aren't serious or they just might make us work harder.

I would have to say that after having walked through a few almond processing facilities, it doesn't appear to be rocket science, but I think a big GIANT red flag for someone who is contemplating getting into the business would be to ask yourself this one question: “How is it that a NONPROFIT organization

that once handled well over 50% of the almond crop could have lost so much market share to FOR-PROFIT companies???" In order for a for-profit company to outstrip a COOP by 10 cents per pound, we actually have to beat them by nearly 15-17 cents to cover depreciation and allow a reasonable ROI.

2006 crop pool final:

As promised in last month's newsletter, the final prices for the 2006 crop pool are:

	<u>Base</u>	<u>Average*</u>	<u>Maximum with All premiums</u>
Nonpareil	\$2.31	\$2.37	\$2.56
Sonora	\$2.22	\$2.23	\$2.25
Carmel	\$2.00	\$2.01	\$2.03
Monterey	\$1.99	\$2.00	\$2.02
Wood Colony/Livingston	\$1.98	\$1.99	\$2.01
Others	\$1.96	\$1.97	\$1.99
Mission	\$1.93	\$1.94	\$1.96

- Represents the average price paid to those growers who participated in our voluntary programs for size, early deliveries and longevity contracting.

Thanks to all of you who supported the almond handler that is always the first out of the gate with final prices. Below you will see a graph that illustrates just how wild the 2006 campaign was.

Farming News: by Barry Watts

Are Ground Squirrels Taking Over?

In some areas it sure seems like it. Ground squirrels damage many different types of plants, particularly vulnerable are grains and nut and fruit trees.

Understanding the life/feeding cycle of the ground squirrel will help the most when you are considering which method of control you will use. Ground squirrels breed once a year, averaging seven to eight per litter. In the Central Valley, they breed from February through April (earlier in the south, and later in the north). The young emerge from the burrow about six weeks of age.

The ground squirrel's diet changes with the seasons. In the spring when they emerge from the burrow they primarily feed on green grasses and plants. As annual grasses and plants begin to dry down, the ground squirrels switch to seeds, grains and nuts.

Fumigation: Spring is a great time to fumigate because soil is moist and will help contain the gas in the burrow. Spring is a very effective time to fumigate because you can get adults before they reproduce or just after while the litter is still in one burrow. Contact your pest control advisor to recommend a material.

Toxic Baits: Most bait used to kill ground squirrels are anticoagulant. To be effective, baits must be consumed in several feedings over a period of a week or so. Baits work well in the summer and fall as ground squirrels are feeding primarily on grains and nuts. Bait stations (PVC tubes) will need to be used to prevent non-target animals from feeding on the bait. Using bait requires at least 4 weeks to be effective and bait should be offered until feeding stops or no ground squirrels are observed. Contact your pest control advisor to recommend a material.

Trapping: Traps work well when ground squirrel numbers are low, or, if you have a great deal of free time. Some traps need to be baited with nuts, seeds or fruit in order to lure the ground squirrel to them. Other traps can be placed in the burrow opening without bait. Traps need to be inspected daily to remove dead squirrels.