



PANOCHÉ CREEK
PACKING, INC.

IN A NUT SHELL

Predictions and Trends for the California Almond Market

December 2011

Market Update:

Inshell Almonds

Demand for Inshell has consistently outpaced meats for the past 5-10 years. Year to date almond meat shipments are up 7%, while Inshell shipments are up a whopping 31% vs. last year. 10 Years ago we began packing Inshell when India was virtually the only market for Inshell. We quit packing Inshell 2 years later as the Inshell market was either really good or really bad. China began buying Inshell on a small scale about the time we quit packing it. This year China has surpassed India on Inshell volume. With China and a few other small scale outlets, the liquidity of Inshell demand has become relatively stable and we decided to re-enter the Inshell arena.

Inshell almonds are real easy to pack and the capital required to get set up is minimal. However, like everything in life there are no free lunches. There are numerous mine fields that one may or may not anticipate when contemplating packing Inshell:

1. As with meat buyers, Inshell buyers require low levels of inedible almonds. Inedibles can't be cleaned in the processing exercise so almonds we get that have excessive inedibles have to be sent back to a sheller for shelling. Each season average inedible counts (especially in Nonpareil) can be radically different. The same thing is true about kernel size. Inshell buyers typically won't pay more for large kernel sizes, while meat buyers will. Most years we have a significant portion of the crop sold prior to harvest. The size and quality of almond meats are predictable enough to allow forward contracting. My limited experience in Inshell suggests that forward contracting is usually problematic.
2. Growers demand a premium for Inshell for numerous reasons. A) Hulling process is slower than shelling for meats. B) USDA shrinks grower's lot by 1% (for no known reason). C) If the farmer delivers Inshell almonds that are not suitable for shipping as such, they will bear the financial burden of shelling out the almonds.
3. Other mines in the mine field are: A) rain during harvest can/will cause staining and buyers won't take stained almonds. B) Adhering hull on Inshell is not acceptable to buyers. Adhering hull can be a function of premature harvest or sometimes Mother Nature just generates an inordinate amount of adhering hulls. Adhering hulls can be cleaned up but that means that we (the processor) incur added costs in having the almonds shelled. This makes an almond that we pay a premium for as Inshell, but then have to sell as a meat.
4. The last criteria and maybe the biggest reason we have abstained from packing Inshell for the past 8 years is the storage space requirement. Our annual volume (and that of the entire industry) has been growing so fast we are always short of storage space. Inshell takes up about 40% more space than meats.

Grower's Corner: by Frank Roque

January Payment

We are pleased to announce our January pool payment. The payment will bring the Nonpareil variety up to \$1.10/lb. and All Other varieties up to \$.80/lb.

	<u>Payment</u>	<u>YTD</u>
Nonpareil	\$.50	\$1.10
All Others	\$.40	\$.80

We will start sending payments the week of January 9, 2012. Please call me if you have any questions.

“ALMOND MARKETING NONPAREIL”