



Market Report



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Early summer is generally a quiet time for the pistachio industry. Opinions of the upcoming crop have been formed, the marketing year is 3/4 complete, and most buying demand has been satisfied for the remainder of the marketing year. This year is a bit different for a variety of reasons. Opening prices were at record levels despite a larger world supply, prompting export customers to cover needs for less than the full year. Prices fell from opening levels in California for the first time in a number of years. There remains some buying activity, and an expectation that 2015 opening prices will be close to current levels, and less than the 2014 opening.

We just returned from Greece, and visited many historical sites. We heard the phrase "history repeats itself" quite often, and thought it would be interesting to look at recent pistachio production, shipment, and pricing history to see if there are insights to the current situation. The timeline is a bit shorter than Greek history (20 years versus 4,000+ years), but it is still an interesting exercise.

We've crammed enough information in the adjacent graph to make it completely confusing. Here's our best attempt to decipher what is important:

First, about the supply of California pistachios. As can be seen, supply (yellow line) peaked out with the 2012 crop, and has been steady since then. With most prognosticators estimating the 2015 crop at about 500 million pounds, the open inshell supply will be close to the past several years.

Second, pricing over time has generally increased during years of short supply and dipped when supply was larger. Not surprising. The exception to this rule occurred from 2010 to 2013, when supply grew substantially, and prices increased, rather than decreased. This unusual pattern was great for growers in California, and is explained by the rapid increase in Chinese demand for pistachios, along with several years of smaller Iranian crops.

The most interesting thing presented on the graph is the consumption pattern. These numbers are taken from the ACP monthly reports, which break down shipments between export (black bar) and domestic (green bar) destinations. However, export shipments are generally under reported, as some sales made by shippers, and reported as domestic shipments, are eventually exported. Despite under reporting of exports, growth in shipments of inshell pistachios over the past 20 years has largely come from exports. Export growth initially came from Europe, as California became the preferred supplier over Iran, and more recently from China, where demand exploded between 2010 and 2014. Unfortunately, Chinese buying shifted more to Iran this past year, as the 2014 Iranian crop was larger than recent crops.

Domestic shipments have been shrinking for the past 4 years, and for the entire 2014/15 marketing year will be about the same as the 2004/05 marketing year. This decrease has come about largely because of substantial price increases (from strong export demand) and the corresponding reduction in consumer package sizes.

Most in the industry are interested in price trends. Wholesale prices doubled in the past decade, and this effect has driven back to the farm, where net income exploded. Good pistachio orchards sold for \$12,000 per acre as recently as 2008. The same orchards now are being offered at \$50,000 per acre. It's our opinion, given the expectation of a 2015 supply similar to 2014, that prices will moderate from last year's opening. However, there are a lot of moving parts to the pistachio market, including foreign crop production, health of the world economy, the strength of the US dollar, and competing items (cashews anyone?). It's what fascinates us about the pistachio industry!

