



# Market Report



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Pistachio harvest has been underway in California for about one week. A minimal amount of the 2015 crop has been harvested. Quality of the early crop is, as expected, very good. Areas most affected by drought and lack of winter cold weather have not been harvested yet. The pistachio market has been quiet, with fewer forward bookings than most years. Prices have strengthened in the past 6 weeks due to dropping expectations for the California crop. Estimates for the California crop are now 350 million to 500 million pounds, with more "experts" thinking the crop is at the lower end of the range.

We have been underway in harvest for a week today, and will be roughly 10% complete by the end of the day, Friday, August 28th. Thus far, receipts have been mostly the Golden Hills variety. Golden Hills has been planted extensively for the past 8 years, so most of the production is from young orchards. Golden Hills is low in blanking and closed shell nuts, and the nut size is larger than Kerman. It seems to require less cold winter weather than Kerman, the predominant California pistachio variety. One would expect yields for young trees to increase yearly, but most Golden Hills yields have been equal to last year. The Kerman fields harvested to date have been high in closed shell nuts, are small sized nuts, but otherwise normal. Navel Orangeworm (NOW) damage is so far very low. Yields are all over the board; we simply don't have enough data to have an opinion on the crop other than that described above.

We've heard and seen the issues of very high blanking in some fields in California, but don't expect those fields to begin harvest for a week or two. Fields with high levels of blanks appear to be less mature, as blank (empty) nuts mature after filled nuts. Also, growers with high levels of blanking will attempt a single harvest to reduce costs.

Taken all together, we're probably 2 weeks away from having a good idea about the crop in California. Even then, we won't know the crop size, but should know if the crop is terrible (less than 400 million pounds) or at the upper end of the expected crop size.

The crop size this year will have an outsized effect on wholesale pricing, and ultimately grower pricing. Before explaining why, let's take a look at the current conditions in the market place for California pistachios. The carryin from the 2014 crop will be 90 million pounds greater than a year earlier (80% increase), due to more competition from Iran, a stronger dollar, and weaker economies outside the USA. Forward pricing for the 2015 in-shell pistachio crop is \$0.25 to \$0.35 less than last year, and most quotes are around \$5.00. The dollar is stronger, China's economy is weaker, and Europe is still in recession compared to a year ago. The 2015 Iranian crop is smaller than a year ago, how much smaller is uncertain. There is also a building anticipation that sooner or later the growing conditions will favor a large crop, and when they occur, the California crop could hit 700 million or 800 million pounds.

So we have a situation where both buyers and sellers MAY desire to have minimal inventory at the end of the 2015/16 marketing year, due to the POTENTIAL for a HUGE California crop in 2016. It is not guaranteed, but is driving decision making. Shipments of pistachios were down significantly in 2014/15, due to high prices, strong competition, and weakened demand. The current ~\$5/pound price for inshell pistachios can be supported if supply is less than last year. The Iranian supply will be less. The California salable supply, due to the large carryout from the 2014 crop, and the desire of shippers to minimize carryin to the 2016 crop year, will only be less if the 2015 crop is much smaller than the 2014 crop.