



# Market Report



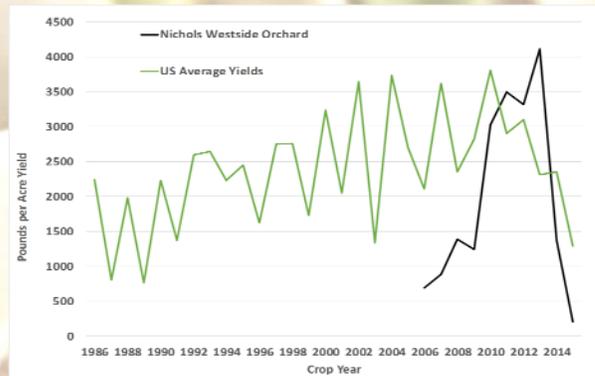
September 9, 2015



Volume 12, Issue 6

As of September 8th, Nichols Farms is halfway through receiving its 2015 pistachio crop. Our best estimate of the total US crop is 300 to 350 million pounds. The US supply will be down about 20% compared to last year. Quality is generally good, with navel orangeworm (NOW) damage less than the 2014 crop. Closed shell and staining are higher, and the nut size is smaller. Pricing is over \$5.00 for US extra #1, with most buyers and sellers on the sideline.

The 2015 crop will likely be the smallest crop in seven years, and could be the lowest yielding per acre season since 1989. The primary cause is not drought, but lack of cold winter weather (chilling). The perimeter of the southern San Joaquin Valley (east, south, west) is where most pistachios are grown, with a concentration to the southwest and west. In these areas, we've heard and lived through very low yields this year. The attached graph shows US yields per acre for the past 30 years, as well as for one of our orchards affected by the chilling issue. This particular field will likely yield about 250 pounds per acre this year, after producing over 4,000 pounds per acre two years ago. A similar trend for US yields has taken place over the past 5 years, due in part to drought, more acres of young orchards with lower yields, but mostly due to lack of chilling.



<u>Increasing Prices</u>	<u>Decreasing Prices</u>
Small 2015 Crop	Increased US Carryover
2015/16 US Supply Down	Stronger US\$
Smaller Iranian Crop	China and Europe Demand
Ongoing California Drought	Consumer Price Resistance
2016 US Crop Potential ????	2016 US Crop Potential ????

So the crop is small, what is the impact on pricing? In the table at left, we can see the tug of war between factors pulling prices higher or pushing them lower. The US supply is down 20% and it's believed the Iranian supply is about 10% less. Inventories held outside of origin are greater than a year ago due to slow sales. All in all, it is very bullish for prices.

However, demand for the past year has been sluggish. High retail prices, a strengthening dollar, and less demand from China for US pistachios have all contributed to slow sales and shipments.

We have a shrinking supply of pistachios that needs to be allocated by price. The price will likely open between \$5.00 and \$5.25 for raw US extra #1, size 21/25. Kernels are in the \$11 per pound range for US extra #1. We expect buyers to make shorter commitments again this year, as prices later in the marketing year will be determined by the prospects for the 2016 crop. We saw that this past year: prices opened at \$5.25, movement was sluggish, prices adjusted downward in late winter through the spring, and have rebounded upon news of the small crop.

We will send out another newsletter in about 2 weeks, after most of the crop has been received.