



# Market Report



November 30, 2015

**N**  
NICHOLS FARMS

Volume 12, Issue 8

It has been about 2 months since the magnitude of the 2015 pistachio crop disaster was known. Following a flurry of activity (it was a small flurry), the market has been quiet. Export customers are faced with estimating demand for pistachios at record prices **AND** with a US dollar that has strengthened against most currencies. Domestic retailers, most of whom thought they'd seen the last of price increases in 2014, are in the process of adjusting retail prices from price increases rolling into place over the past 30 days, and will continue to do so for the next month. Both export and domestic shipments had a dreadful October, but activity seems to have picked up substantially in November. Prospects for the 2016 crop are unknown at this point, but the start to the winter season, both from a chilling and precipitation point of view, have been normal .

Through October, the 2015 crop receipts stand at 279.7 million pounds. It is a couple million pounds higher than most estimates, due mostly to reshake volume being a bit larger than expected. There may be slight revision to the crop at the end of November, but nothing significant. Closed shell is 13% higher than 2014 on a percentage basis, while open inshell is about 3.5% less. Shipments from origin were off from last year by a 1/3 during October. For the crop year starting in September, shipments are 22% less during the 2015/16 crop year than a year ago.

Market prices have eroded a bit since the opening price, but this is on the basis of very little activity. US extra #1 size 21/25 or 21/26 inshell is in the \$5.40 per pound range, about a nickel lower than a month ago. We don't think processors at origin have much to sell, and most customers are pulling down existing inventories and waiting to buy later, or have already covered needs. We're fairly certain most export customers have covered only a portion of their needs, and will come back as buyers later in the year. This is, of course, assuming the slow down in sales due to higher prices and a strong US dollar is not greater than expected.

Domestic pricing at retail has been creeping toward an average of \$10 per pound. Package sizes are still getting smaller, and everyday prices have continued to move up. With price increases for both branded and private label moving through the system, we will continue to see rising retail prices. What is not known is the response of consumers. Retail cashew prices are 20% less than pistachios, and peanuts are cheap. Last year, as an industry, we underestimated the decline in movement due to increasing retail prices. This year, we have less to sell, but at even higher prices. We'll have a good idea by the end of January, once price increases are in place across all segments of the US retail market. Promotional activity will be another barometer of movement; the greater the spring and/or summer promotional activity, the more sales were off in Q1 of 2016.

At a request from one of our growers, we took a look at winter chilling accumulation during previous El Nino years. As most everyone knows, buyer, seller, or producer of tree nuts, this winter is a strong El Nino year in California. We found no correlation between El Nino and the chilling hours accumulation. There was strong trend toward better crops coinciding with early chilling (before December 1st) but on a small sample of data. That said, chilling throughout the California production region thus far has been much greater than last year. Certainly it is not definitive, but a good trend. Rainfall has been average to above average in most of the state through November.

We will send out another newsletter as the market dictates, and we'll be closely watching shipments from origin, wholesale pricing for exports, and retail sales, pricing, and promotional activity. From all of us at Nichols Farms, we wish you holiday cheer and a successful 2016.