



# Market Report



February 5, 2016



Volume 13, Issue 1

Another month gone by, and the competition between *The Incredibly Small Supply* versus *Continually Shrinking Demand* continues. For the past month, *Continually Shrinking Demand* has had the edge, as prices have edged down. In a year when no one wants to have excess inventory going into the 2016 crop, at least one processor has dropped prices in an attempt to sell remaining supplies. The potential for the 2016 crop continues to look positive, as winter chill, while not perfect, has been much superior to the 2014-15 winter.

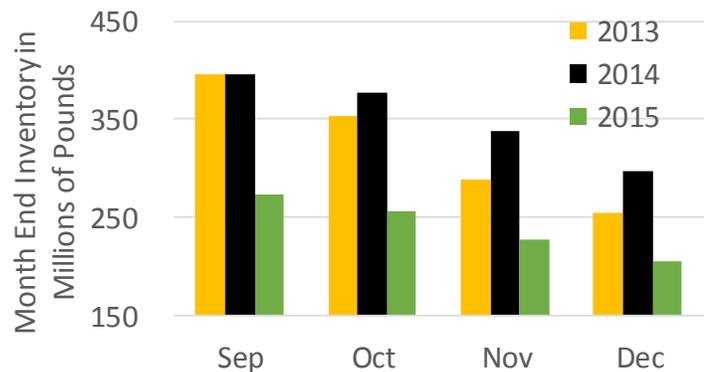
It seems everyone associated with pistachios is looking to the 2016 harvest. It's not surprising, given the unexpectedly tiny 2015 crop.

Current expectations are for a large crop. We've seen printed estimates from 450 million pounds to over 800 million pounds. Our thoughts are somewhere in the middle, but the wide range is indicative of the industry's Achilles's heel; that being we don't know what we produce in a given year until after the fact. That fact became abundantly clear with the 2015 harvest. We will have a better idea of the crop potential post bloom (April), but we expect a wide range of crop estimates all the way through harvest.

What is clear is the expectation of lower prices at the grower and wholesale level when the 2016 crop arrives. Given the anemic consumer demand in the US, along with strong headwinds in export markets (exchange rates, weak economies, cheaper Iranian goods), we and other processors expect the price drop to be significant. The question is how much and when will the price change take place.

Current prices for US extra #1 open inshell are about \$5.25 per pound, but as noted above, at least one processor has dropped prices a bit below these levels. Prices are down a bit since opening, but mostly the market has been stagnant, with few inquiries. We expect pricing to hold near these levels until shortly before 2016

*The Incredibly Small Supply - Open Inshell*



supplies become available. Unlike the almond or walnut price breaks of the past two seasons, there are only a few pistachio handlers at origin, and the supply (*The Incredibly Small Supply*) of pistachios this makes an early price break less likely.

The good news in this story is there will be a normal pistachio crop in 2016. Water issues abound, but the situation is far better than this time last year. Retailers and consumers will get price relief this fall (the end of \$10/pound pistachios), and growers should be profitable, even at the expected lower prices. Throw in a good quality year, and even the packers (us) might crack a smile.

*Continually Shrinking Demand - Open Inshell*

