



# Market Report



August 24, 2016



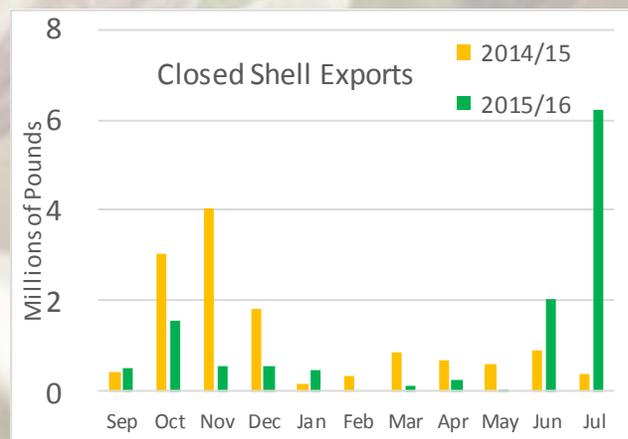
Volume 13, Issue 3

The 2016 pistachio harvest has started, albeit a bit later than most thought only a couple of weeks ago. Most growers have pushed back harvest plans 2 to 7 days. The pistachio market took another step down at the end of August, and most buyers are waiting for an indication of the crop size before adding more purchases. Shipments were up in August to export markets, reflecting lower prices and the need for some processors to create space for the 2016 crop.

We had heard of growers starting to harvest as early as August 15th. None of them were delivering to Nichols Farms, as we had a quiet week last week. Things picked up today, as several growers started harvesting. All delivered more loads than they expected. The busiest weeks for harvest and receiving should be September 4th through September 20th. Needless to say, we can't give any kind of report about the quality of the crop or sizing. The Golden Hills variety is not as far ahead of the predominant variety, Kerman, this year, and that might be one reason the season has not started as early as expected.

Pistachio pricing took another step downward at the end of July. Until that time, business had been done around the \$4.00 level, and since then the market has been quiet. We've heard of pricing all over the board; as low as \$3.50, and as high as \$3.75 for US extra #1 size 21/25 open inshell pistachios. Most of the pricing talk is speculation, as most buyers are now waiting for a read on the size and quality of the 2016 crop before making additional commitments.

We'd been curious about the carry in to the 2016 crop, given the expectation of a very large crop. We were headed for a relatively large carry in to a big crop, not exactly the desired state for those of us in the processing business. The shipment numbers for most of calendar year 2016 have been dreadful, leading to our concern about carry in levels. Last month turned things around, as open in shell shipments were up about 20% over year earlier levels. The interesting thing about July shipments was not the open in shell numbers, but the closed in shell numbers. In July, California processors exported 6.2 million pounds of closed in shell pistachios. Virtually all the shipments went to China and/or Hong Kong. As can be seen in the graph at the right, that total dwarfs monthly shipments for the past two years.



The closed shell shipments in July likely point to one of two things:

- Chinese buyers are either short product, or are trying to price average down using hand opened closed shell
- California processors are trying create space for an expected large 2016 crop

In either case, it is good to see shipment momentum starting to build, even if it is byproduct. We'll send out an update around the end of the month, after growers have started to harvest the crop in earnest.