



# Market Report



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The 2016 pistachio harvest is now well underway. The crop is maturing later than expected due to stress on the trees to finish a large crop. Quality is less than expected, with higher than expected levels of closed shell and navel orangeworm damage. Pricing in the wholesale market appears to be stabilized in the \$3.75 per pound range for US extra #1, size 21/25.

The biggest surprise of the harvest season so far has been the late start to the season. Most of us in the industry expected a trickle of pistachios during the week of August 22nd, and a flood of pistachios during the past week. The "flood" this past week, at least in our case, never materialized. We are now expecting the bulk of the crop to be harvested over the next 2 weeks. A number of plants expect to hit capacity sometime this week, a phenomena not seen in the California pistachio industry in many years.

It's taken this crop longer to mature than expected. It's not uncommon in agricultural production for large crops to be delayed. The plants are trying to mature as much of the crop as possible, and need time to photosynthesize enough energy to complete the maturation of, in this case, all the nuts on the tree. We had, for most of the growing season, expected a uniform crop. Instead, we're finding the large crop load has spread out maturity on the tree. As a result, removal in many orchards is less than expected, and most orchards will be harvested twice. Generally, the quality of the second harvest is less than stellar. However, the crop remaining on the orchards we've looked at appears to be very good quality, and will remain so provided it is re-harvested in a timely manner. What remains to be seen is the quantity of the re-harvested fields, and that process will not start for another week or longer.

So what do we know about the crop? First, the quality to date is a mixed bag. Nut sizes are quite large this year, and much larger than the 2015 crop. Premiums for larger sizes will be less than usual, as 18/20's will be in ample supply. There will be less availability of 26/30 count. Second, closed shell in many orchards is higher than usual. It is too early in the season to know if this will be industry wide, but the levels for the first 1/4 of the crop are higher than is typical, with some growers reporting very high levels of closed inshell pistachios. We'll know in a couple of weeks if this is a local effect or across the entire production area. Third, and finally, navel orangeworm (NOW), the primary pest of pistachio, is significantly higher in early deliveries this year. We've seen years with high damage that started out similar to this year. Again, this may be a localized problem, and we won't know if this is a bad NOW year for another week to 10 days.

We don't know the size of the crop. Every grower and harvester has an opinion, and it's mostly based upon their orchards, what they've seen harvested, or heard from others. Rather than speculate on the size of this crop, suffice to say there will be an adequate supply of pistachios to meet demand over the next 12 months. The crop is clearly quite large, but quantifying the size of the crop won't happen for another month.

Pricing has been stable since the beginning of harvest. For shipments October forward, US extra #1 size 21/25 raw inshell pistachios are around the \$3.75 per pound level. We are not hearing rumors of cheaper levels as we did last month. Kernels are generally in the \$7.75 to \$8.00 range for US extra #1 80% whole kernels, but demand is light at present.

In summary, we know a bit about the quality of the crop, and that sizing is large. There are a couple of potential quality issues: those being high closed shell and NOW damage. We'll know in short order if those concerns are realized. We know the crop size is large enough that processors are talking about limiting the number of loads to be delivered. We won't know for certain the size of the crop until industry statistics are released next month. And finally, we know there will be endless speculation about the size of the crop until it is known!