



# Crop Report



September 19, 2016

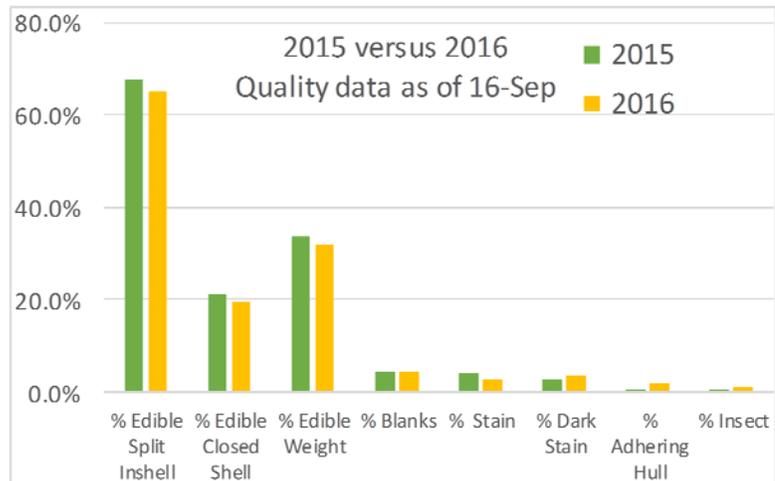
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In the last newsletter, we mentioned the two weeks between September 5th and the 19th would be peak receiving for California pistachios. The industry did hit a peak in receiving this past week, with most plants running at capacity, and unable to keep up with the flow of pistachios coming in from the field. The peak came later than expected due delayed maturity. Without a doubt, California growers harvested more pistachios in the last week than ever before. The harvest is now about 3/4 complete, but most growers plan a second shake, and we expect the harvest to go into the second week of October or beyond.

Quality data for the 2016 crop versus 2015 as of 16-Sep (for both crop years) is summarized in the attached table. Harvesting started on the same dates both years, meaning this is a good barometer of the relative quality between the years.

There are not a lot of obvious differences between the years. There is a bit less open inshell and closed shell in the 2016 crop. Staining is less this year than last year. Shelling stock (adhering hull and dark stain) are higher in the 2016 crop. It's not easy to see the insect bars on the chart, but this is one significant difference. In 2015, as of 16-Sep, insect damage was 0.2%. In 2016, on the same date, insect damage is 1.1%. More than in previous years, the insect damage is concentrated in the shelling stock categories of dark stain and adhering hull. Most will be removed during processing, but we do expect insect damage removal to be the primary processing goal as we transition from receiving the crop to processing and shipping.



One item not shown on the graph is nut size. The average ounce count (number of nuts to make an ounce) is 22.2 from the 2016 crop. In 2015, it was 24.6. The lower number means less nuts per ounce, or larger nuts. This is a significant difference, meaning larger sizes will be plentiful this year.

In summary, the quality of the 2016 crop is just "OK". The 2015 crop was high in stain and small in size, while the 2016 crop has higher insect damage and shelling stock. The 2016 crop will be difficult to process due to these factors, and is of poorer overall quality than we expected at the start of the season. It won't be noticeable to consumers, but will take more time and effort to process through the plants.

A final note on the statistics is the percentage edible weight. A lower number indicates there are less edible pistachios, both inshell and kernels, from each harvested load arriving at our plant. Why is it important? It means the plants have to process more loads to get the same amount of marketable product. It is one indicator that the crop, while very large, may not be as large as it seems to be based upon loads coming in from the field. That said, it has been, by far, the biggest receiving year in the history of the industry. We know it is a record crop, just not how big of a record. Production figures for receipts through 19-Sep will be released mid day on 23-Sep. This will be the first quantitative information regarding the size of the 2016 pistachio crop. We'll send an update that evening with our analysis of the report.

Export prices are moderately lower since our last report, with rumored US Extra #1, size 21/25 inshell priced to the EU at \$3.60 per pound and China/HK at \$3.50 per pound offered by a major US processor. Given the less than desirable quality of this years crop, as well as the carryover from the 2015 crop, we expected a spread between prices quoted to China versus markets that demand higher quality or have stricter food safety requirements. It appears this spread is about \$0.10 per pound, at least for now.