Crop Report

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The US pistachio market remains a tug of war between supply and demand. Shipments in November continued very strong for the 3rd consecutive month, the inventory is equally large, and 2017 crop prospects are improving. Central California is receiving the biggest storms this week in a number of years, and this bodes well for irrigating the crop as well as helping meet chilling requirements. There has been little movement in pricing, and we don't expect much change unless shipments decline substantially, or the 2017 crop expectations increase.

As we reported earlier in the crop year, Chinese demand for US pistachios is yet to be satiated. The graph at right shows total shipments of US pistachios broken into 2 categories: China and the rest of the world. The rest of the world ***INCLUDES*** the USA domestic market, making the China shipment number that much more impressive.

Domestic demand is up relative to last year for the same periods. We've seen huge increases in retail sales where promotion and lower prices have been combined. One of our retail accounts was up more than 500% in unit sales for the first 2 weeks of December versus the same period last year. At the same time, we've seen accounts with retail sales similar to last year. In these cases, prices have not come down at retail, or promotional activities were missing or ineffective. Overall, we see retail movement, as measured in pounds, up about 20% from mid November through mid December, 2016 versus the year before. Prices at retail are down about 10% during the same time period, but are still at high levels. We expect the year to year sales increase to accelerate going forward, as consumers see value in pistachios, and retailers see strong sales growth from moderate price decreases. A month from now, we will have a good idea as to expected domestic consumption for the full marketing year.

Exports increases are harder to quantify. China has been the demand driver so far this year, but how full are their pipelines? European shipments are up, but may be constrained by several factors. These factors are:

- High priced goods carried over from the prior year have to be sold at higher prices, reducing new sales
- The 2016 crop is higher in aflatoxin, making shipments to the EU more expensive to process and increases risk of rejection
- The euro is weaker than a year versus the USD

The aflatoxin issue in particular has increased the cost of selling US pistachios into the EU, and we've seen a price spread develop for sales to EU destinations versus other export markets. There will be more pistachios shipped to the EU this crop year than last year, but the above factors will dampen the increase. The Middle East is buying substantial quantities of US pistachios, due to short crops (and higher prices) for pistachios from origins outside the USA. We've not seen it yet, but expect to see sales to Eastern Europe pick up into the new year. US pistachios have been high priced for this market over the past 3 years, but there is interest now, especially in light of recent cashew price increases.

On the production side of the equation, the 2016 final crop size was released at 902.6 million pounds, almost unchanged from the November report. In our last newsletter, we reported concern by growers about the lack of chilling this winter. December was an average chill month. We're in much better shape this year as compared to the disastrous 2014/15 winter, but behind last years chilling accumulation. Our sense is that the chilling this year is "better", due to less very warm days, more fog and overcast, and more rain. We believe if it feels cold to humans, it is helping achieve the chilling requirement. We're certainly not making a crop prediction for the 2017 crop, but the outlook today is better than a month ago.

Pricing for US extra #1 raw open inshell, size 21/25 is still at $3.50 per pound, plus or minus. We've been told of some higher sales prices, mostly into Europe. Kernels have a wider price spread, from $6 to $6.75, but there is substantial variation in color, overall appearance, foreign material specifications, and other quality factors.