



Crop Report



January 26, 2017

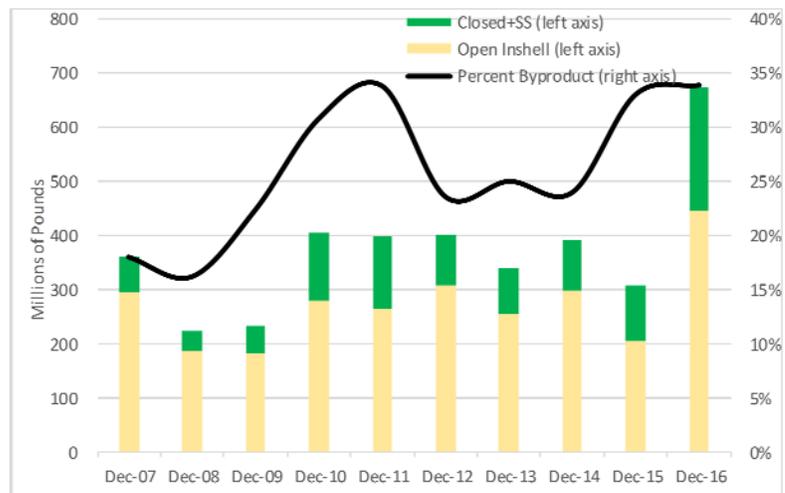
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Volume 14, Issue 2

Domestic shipments were very strong in December, exports slowed substantially due to reduced Chinese and Hong Kong shipments, but were still at historically high levels. Inventory is at record levels, especially closed nuts and shelling stock. The 2017 crop is unknown, but the rains and improved chilling over the past 2 months are increasing the 2017 crop potential.

The graph at right shows US inventory levels held by processors at origin as of December 31st for each of the past 10 years. The tan bars are in-shell inventories; the December, 2016 level is 50% higher than the previous record. The green bar is closed inshell pistachios plus shelling stock open inshell pistachios (SS) inventories; the December, 2016 levels are 70% higher than the previous records.

It's not surprising there is more shelling stock and closed shell inventory. Most of the carryin to the 2016 crop was of this type, and 2016 crop itself was high in both products. As a quick primer, closed pistachios are exactly that; pistachios with an edible kernel inside, but the shell did not split. Shelling stock is composed of split inshell pistachios with one or more defects to the shell, but having an edible kernel. These defects can be dark staining, residual hull that didn't come off during processing, or misshapen shells.



At nearly 230 million pounds, there is enough closed and shelling stock to produce 100 million pounds of kernels. A portion of the closed shell will be sold and/or cracked to produce inshell product, but the remainder will be shelled for kernels. Suffice to say the limiting factor in kernel shipments this year will be the processors ability to produce kernels, not the supply itself.

Domestic inshell shipments were nearly double those of a year ago, while export shipments were more than double last year. Exports did drop 55% from a very high level in November. All of the drop from November to December is from reduced China/Hong Kong shipments, in line with our expectations that Chinese demand has largely been filled.

The California drought, at least for this year, is over. Rainfall is 150% to 220% of normal to date, and the Sierra Nevada Mountain snowpack that feeds water to California pistachio farms is 132% to 213% of normal for this date, depending on location. Reservoirs are releasing water, as the concern has changed from drought to flooding. More rain in the San Joaquin Valley, and snow in the Sierra Nevada mountains came during the past week.

Chilling remains behind last year, but is ahead of the 2015 crop chilling disaster. We continue to believe most areas will have sufficient chilling for the 2017 crop. While temperatures have been warmer than last year, we've had few sunny, warm days. It was the sunny warm days in December, 2014, and January, 2015 (when some days reached 70 degrees Fahrenheit) that led to substandard chilling and yields for the 2015 crop.

Supply and demand forces are in a tug of war. On one side are four months of shipments at record levels. On the other side are historically high inventory levels and a weather pattern that is enhancing the prospects of the upcoming 2017 crop. The greatest unknown now is the 2017 crop prospect. Pistachios are alternate bearing, so it would be expected the record 2016 would dampen prospects for the 2017 crop. Alternate bearing manifests itself in pistachio by aborting fruit buds for the following crop when trees have a large crop. To this end, we've heard from numerous sources about the lack of "buds" for the 2017 crop. On the other side is the crop enhancing winter described above. Unknown is how the 120,000 acres planted between 2004 and 2012 will produce in 2017 after record crops in 2016. April and pistachio bloom will give us our next clue in this ongoing mystery!