



# Crop Report



May 30, 2017

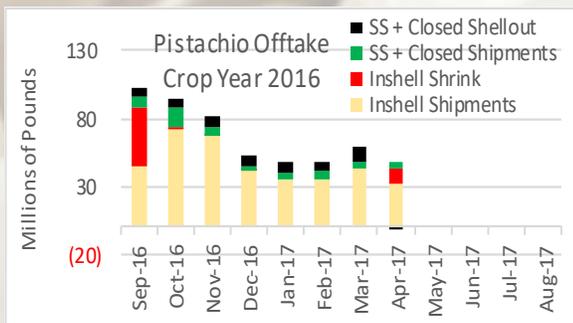
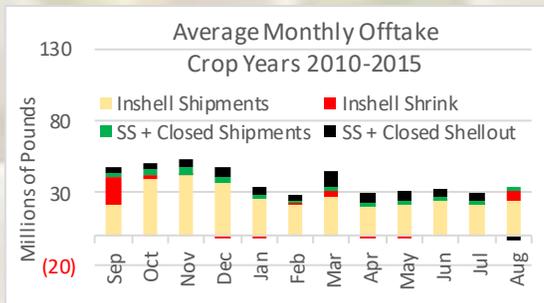
**N**  
NICHOLS FARMS

Volume 14, Issue 4

We missed the newsletter in April, so we'll send out two back to back. This newsletter will review current inventory, consumption (shipments plus shrink), and estimated shipments and shrink through August 31st, the end of the marketing year. The second will build off this one, and look at supply scenarios for the 2017 crop year, including both carryout from the huge 2016 crop and prospects for the 2017 crop.

Demand for US pistachios has been great this marketing year. Processors have done an excellent job ramping up shipments from a record crop, international competition was lessened due to a shorter Iranian crop, and lower prices have driven exceptional demand, especially in export markets.

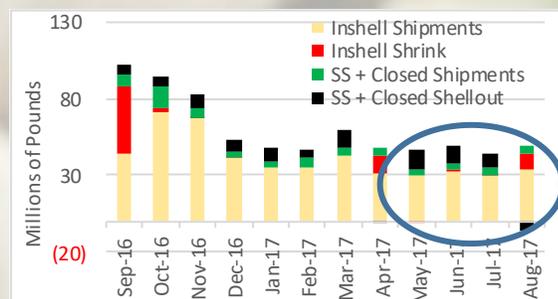
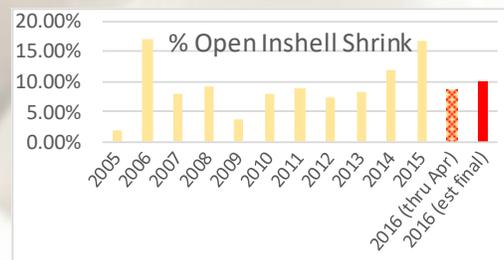
This can be seen in the two graphs at right and below. The first presents average monthly inshell and by-product (mostly closed shell) shipments, open inshell shrink, and shellout for the past 6 full crop years (2010-2015). In this graph, shellout equals the combined shrink (or reduction) of closed shell and shelling stock on a monthly basis. The assumption here is the kernels generated from this "shellout" are shipped in a timely manner, and not building up. We think this is a good assumption.



The second graph (at left) presents the same data for the 2016 crop year through April, 2017.

Inshell shipments are much higher than previous years. By-product shipments are higher due to the high percentage of closed shell in the 2016 crop and the larger crop size. Open inshell shrink is substantially higher than the average over the first 8 months of the year for two reasons: the 2016 inshell quality was not great, leading to higher shrink, and quantity of the 2016 inshell crop was more than double the average of the previous 5 years.

To look at year end inventory, we need to estimate inshell shipments, open inshell shrink, by-product shipments, and by-product shellout. To estimate inshell shrink, we look at averages going back to 2005. Thus far in processing the 2016 crop, processors have reported about 8% shrink, and a conservative number for year end shrink is a bit more than 10%. Converting an additional 2% open inshell shrink to pounds gives us about 10 million pounds of shrink still to come. To estimate open inshell shipments, by-product shipments, and SS/closed shellout, we average historical shipments for May-August (in graph above, top right) with % of April inventory shipped per month over the same time period. This increases estimated open inshell shipments 39% over the numbers in the graph at the top right, and 70% to 80% for SS/closed shipments and shellout. Clearly, the actual numbers may be different than these assumptions, but it should put us in the ballpark.



At left are the assumptions shown graphically. September through April is actual data; May-Aug are estimated numbers (inside the balloon). Combining estimated shipments, shrink, and shellout with current inventory gives us a 289 million pound carryout to the 2017 crop. Thus, we feel pretty comfortable using a range of 250 to 300 million pounds of carryout to the 2017 crop year.

In the next newsletter, we'll take a look at the supply for the 2017 crop year, which includes the carryout discussed here. Pricing can go many directions, and we'll take a look at some of the possibilities based on carryout, 2017 crop size, consumption, and other factors.