



Crop Report



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NICHOLS FARMS

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Well, we are now well into the 2017 harvest, and there is plenty to write about the US crop in terms of quality and quantity. Open inshell prices have transitioned from old crop to new crop in the \$4.00 per pound range for size 21/25 US extra #1 raw inshell pistachios. Year end inventory numbers were published last week, and we want to comment on the inventory adjustments in the report released by the Administrative Committee for Pistachios (ACP). The numbers reported are bizarre at best.

First, our impressions about the 2017 crop. We have expressed our opinion that the 2017 crop was going to be a very good crop as far as quantity and quality since the spring. We had good winter chill, lots of rain, and a uniform bloom. A lot of that was undone by record heat in August and September. The heat took its toll on high producing orchards especially, as these orchards had a tremendous photosynthesis requirement to finish the crop, and were not able to do so. We've seen orchards with 5,000 to 6,000 pound per acre yield potentials produce 30% less than expectation. Despite this, the crop forecast is still in the 600 million to 700 million pound range. We think the heat in August and September took 10% to 15% off the total crop. Crop receipts through September will be released to the industry about 10-October, and this will be the first good indication of the 2017 crop size.

Quality is similar to 2016, and is considerably poorer than expected. Closed shell in the Kerman variety is higher than 2016, but only marginally. Insect damage is nearly identical to last year at this point in the season. Staining and other shell defects are nearly the same as last year, and nut size is large.

Pricing has been stable for the past several months in the \$4.00 range as mentioned above. That said, very little business for new crop is being done, as buyers have sufficient stocks and think the current price level is too high, and sellers don't want to commit until the crop size and quality is better known. We have heard pricing from Iran for new crop considerably below the \$4 level for shipments to China. Given that we've had 3 less than stellar quality crops in a row, it will not be surprising to see significant price discrepancies between markets. Europe and other markets which demand high quality may see pricing considerably higher than less discriminating markets such as China and Mexico. Differentials of \$0.20 or more are likely.

Kernel pricing is all over the place. A lot of kernels will be carried in from the large 2016 crop, and it is likely there will be a similar percentage of the 2017 crop devoted to kernels. At the same time, shipments for kernels are strong and increasing. Total monthly shipments have exceeded 5 million pounds twice in recent months; not long ago 3 million pounds was a stellar month. For good quality whole kernels, the market remains about \$7.30 per pound.

And finally, we can't send this report out without commenting about the August inventory and shipment report released by the ACP. The graph at right shows the adjustments to the 3 inventory categories in the final month of the year. In other words, one or more processors added 17 million pounds to the marketable closed shell inventory, subtracted 18 million pounds from the marketable inshell inventory, and subtracted 22 million pounds from the marketable shelling stock inventory(SS on graph). All of these adjustments are made after accounting for shipments. The shelling stock adjustment represented 37% of the prior months inventory, and the closed shell adjustment was 22%! Collectively, these adjustments mean over \$100 million of inventory disappeared in one month.

We can't speak for our fellow processors, but if Nichols Farms were this bad at measuring inventory, we'd have a hard time staying in business. At best, it is ignorance or incompetence by one or more of the industry's processors, and at worst it is a misrepresentation of inventory statistics.

The inventory numbers are not audited, at least to our knowledge, yet they carry the weight of official statistics, as marketing board that publishes them operates under authority from the USDA. The only thing worse than no statistics is bad statistics. As of the August, 2017 report, we at Nichols Farms have little faith in the inventory numbers published in the inventory and shipment report.

