



Crop Report



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NICHOLS FARMS

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The 2017 US pistachio harvest is winding down, and as reported last month, has been a disappointment in terms of quality and quantity. Market prices have responded with a general firming of prices everywhere, but especially in quality sensitive markets such as the EU and Japan. Processor receipts through September 30, 2017 totaled 552 million pounds, which probably puts the final crop between 600 million and 650 million pounds.

Harvest began at Nichols Farms on August 28th, and we expect the final loads to roll in between the 11th and 15th of October. From the beginning, we saw higher than desirable dark stain and navel orange worm (NOW) damage. Nut size was good, and growers reported the trees were not shaking well; there was more than expected remaining in the tree. Over the past 5 weeks, it has been the same story. Our NOW damage is 10% greater than the 2016 crop, which was the highest in our history. Closed shell percentage is at lower levels than 2016, but above average historically. Shelling stock percentage from the 2017 is the highest recorded. All in all, quality is similar to 2016, but considerably lower than we thought and hoped for. Combined with the 275 million pounds of carryover from the 2016, it will make processing the 2017 crop a challenge for the industry. For the record, the official number for the carryover was about 250 million pounds, but as explained previously, we don't believe it was accurately reported.

So now we have an estimated supply of about 900 million pounds, or 100 million pounds less than the marketable supply for the 2016/17 marketing year. The desired carryout to the 2017/18 year will be about 100 million pounds less than the industry brought into this year, due to the expectation of a large 2018 crop. Add it up, and as an industry, we need to move the same quantity of product over the next 11 months as last year. Yet prices to the wholesale market are \$0.40 to \$0.50 higher now than a year ago, and Chinese demand is less than a year ago.

Where will prices and movement go over the next 11 months? There is no question pistachios have momentum: our retail customers are happy with sales, and importers, roasters, and retailers have had a profitable year marketing pistachios. Cashews, a strong competitor to pistachios here in the USA, remain higher in price at retail than pistachios. Another factor favoring continued pistachio price strength was the quality of the 2017 crop. Due to less than stellar quality of the 2017 crop and the 2016 crop carryover, losses at the processing level will be greater, and costs higher. The percentage of the crop that will be sold as inshell will be much less than previous years.

On the other side of the ledger, Iran had a better crop in 2017, and a good portion of Chinese purchasing will come from that origin rather than the USA. Higher opening prices this year may dampen some consumer demand, as prices at retail will be higher. And finally, no one in the supply chain will want to carry inventory into the 2018 crop year, as it is expected the supply will be larger, and prices lower, for the 2018/19 marketing year. Processors at origin, such as ourselves, will in particular want to have low inventories, as space to hold the 2018 crop may be a concern.

As usual, we offer a lot of questions in our newsletter, and few answers. We do know pistachios are a great food, with ever increasing demand at the consumer level. We're certain there will be a few hiccups over the next several years, as crop sizes grow, but have been continually amazed at the consumption levels, particularly over the past year. Our hats are off to the growers that produced more than 1.5 billion pounds of pistachios from the 2016 and 2017 crops, to the processors and marketers who brought the crop in, processed, roasted, and packaged it, to the retailers around the world who distributed and marketed it to consumers, and most of all to the pistachio lovers around the globe who consumed pistachios in record numbers. Our hat is off to all of you!