



Crop Report



November 20, 2017

N
NICHOLS FARMS

Volume 14, Issue 8

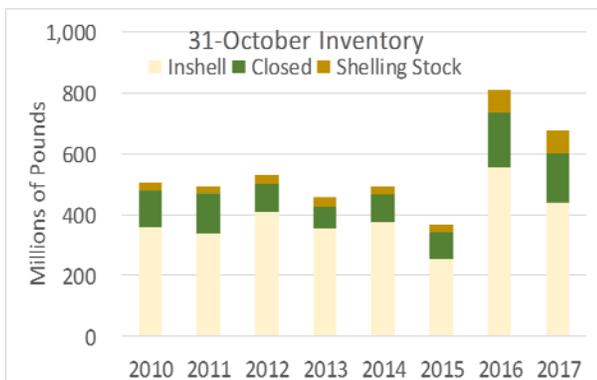
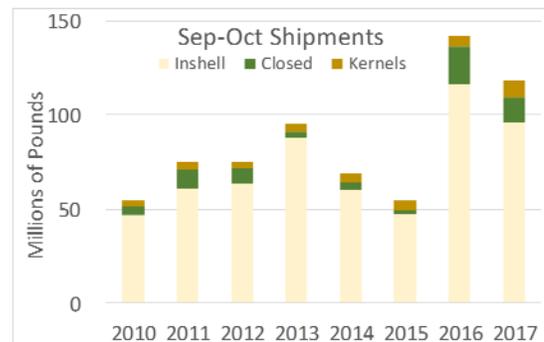
We are firmly entrenched in the 2017/18 marketing year for pistachios. The crop has all been received; it is less in quantity and higher in insect damage than expected or desired. Prices for inshell pistachios have firmed over the past 2 months while shipment volumes have dropped from last years record pace in September, October, and November. Inventory levels are down from prior year levels.

At 606 million pounds, the 2017 US pistachio crop was at the lower end of pre-harvest expectations. In addition to being less than expected in volume, the last 1/3 of the crop was high in navel orangeworm (NOW) damage. The cause, in both cases, was the exceptionally hot late summer and fall. Most California crops (tomatoes, cotton, walnuts, etc) suffered yield losses and quality degradation due to the heat; pistachios were no different. Despite the lower than expected yield, the 2017 crop was the 2nd largest in US history. It gives us an idea where crop sizes are trending!

Prices for inshell pistachios rose in mid-September, as it became obvious the crop was shorter than expected, and higher in NOW. For the first time, a significant premium exists for shipments to the EU relative to our domestic market and other export destinations. We'd put this spread at about \$0.15 per pound, with the domestic market in the \$3.90 to \$4.00, and EU destinations in the low \$4 range. In both cases, this is for US extra #1, size 21/25 inshell pistachios.

Kernel prices are steady, as there are sufficient stocks of closed and shelling stock inshell pistachios, the sources of pistachio kernels. Quoting kernel prices are akin to a politician's campaign promise; prices (promises) are all over the board, as is quality (promises kept). That said, for **GOOD** quality 80% whole kernels, the pricing is in the \$7.25 range.

As can be seen in the graph at right, shipments are down from the record pace of last year. That said, shipments are at very good levels, and most plants are running flat out to meet demand. One interesting fact shown in the graph are kernel shipments. Kernel shipments for the first two months of the marketing year were at 8.3 million pounds, a 49% increase over the prior year (which was then a record). This is a reflection of greater available supply, due to LOTS and LOTS of shelling stock in both the 2016 and 2017 crops. At the same time, kernel pricing is \$0.75 higher than this time last year. Increased supply, increased shipments, and rising prices bode well for increased kernel demand, which will be necessary given the expected increasing crop sizes over the next decade.



The increased kernel shipments, decreased inshell shipments, and rising inshell prices can be explained by the inventory graph at left. Inshell inventory is down 21% from last year (as of October 31st), while closed shell is down only 10%, and shelling stock is up 3%. Kernels are produced from both closed shell and shelling stock. Closed shell can also be cracked and sold as inshell, but it is obvious from the inventory numbers there is an adequate supply of feedstock for kernel production, while inshell availability may become scarce later in the season. What can't be seen in the inventory numbers is how much of the inshell is compromised by high NOW levels. As mentioned earlier in this newsletter, the end of the 2017 receiving year was plagued by high NOW levels. We also believe a significant portion of the 126 million pounds of inshell carried into the 2017 crop year suffers from the same malady, that being high in NOW infestation. We don't know how much of the 438 million pounds of inshell is compromised, but the percentage is certainly higher than any previous year. Ultimately, pricing over the next 8 months will tell the story.

Holiday Wishes to all our valued Suppliers, Customers, Vendors, and Team Members