



Market Report



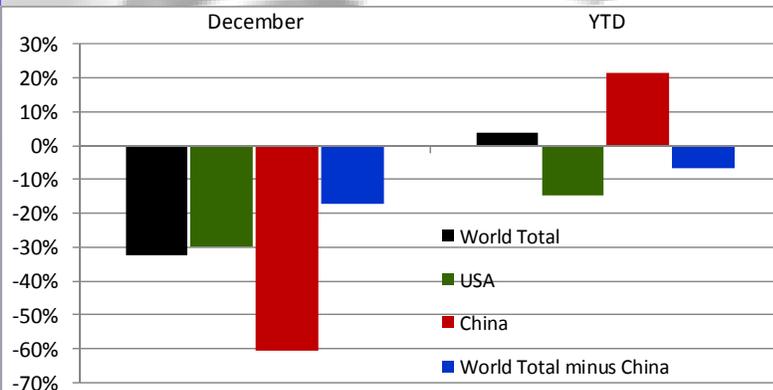
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The pistachio market is a struggle between slowing retail sales on one side, and environmental concerns (water, warm winter temperatures) on the other. The net effect is little movement, and some softening of prices.

IRI consumer sales data from the 3rd quarter of 2013 showed flat sales, increasing prices, and shrinking package sizes. We expect to see consumer buying decline in the 4th quarter, as shipments were off 15% from a year ago (graph below) with the trend continuing for increased prices and smaller package sizes. With more price increases to come in the first quarter of 2014, we're concerned about a further decline in domestic volume.

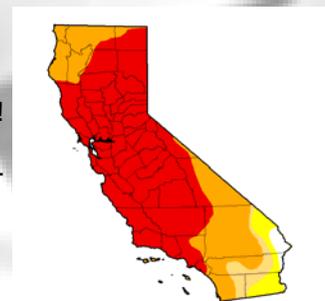


Exports, after record breaking shipments in October and November, slowed substantially in December. Most of the slowdown is due to the Chinese pipeline filling. Chinese were active buyers and resellers in December, with most offers going to Europe. We don't know the volume of business transacted, but it had enough impact to reduce pricing from US origin a few cents.

The big news in the California pistachio industry is not the market, it's the weather. A high pressure ridge off the California coast has been in place for most of the past 13 months. As a result, 2013 was the driest calendar year on record; going back 160 years or more. The first 3 weeks of 2014 has been a continuation; on January 25, 2014 it was forecast to be 75 Fahrenheit in Sacramento; the warmest day EVER in the month of January!

The map to the right shows current drought status in California. Red is extreme drought, and encompasses all of the pistachio producing regions.

The effect of the drought and the warm temperatures will certainly have an impact on the 2014 crop, unless there is a drastic change in the weather pattern, and soon! While growers have plenty of incentive to buy or pump water for their pistachios, there may not be enough to go around this year. There is less control over the temperatures than water. Pistachios need a lot of winter cold weather (chilling), roughly twice the amount of almond trees, to go fully dormant in the winter. With the record warm temperatures this winter, we are well short of adequate chilling. The result may be delayed bloom, poor overlay between male and female trees, and variable crop maturity. All of these results point toward smaller crops.



So the competition between crop potential and crop demand continues. For the moment, waning demand has the upper hand. Should it still be dry and very warm a month from now, expect the scenario to change.