



Market Report



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The pistachio harvest has been going for about 2 weeks. Through today, Roughly 1/4 of the crop will be harvested; we can start to draw some conclusions about the crop:

- We are seeing better than expected yields from young orchards, particularly the newer Golden Hills variety
- Insect damage to date is significantly lower than the 2012 and 2013 crops
- Closed shell is similar to 2013, and less than expected. Average to date is 14%; but will probably end up in the 18% to 20% range
- Nut size is variable, but overall is about average
- General quality to date is excellent; stain is lower than last year to date
- Maturity is variable; in some orchards a lot of crop is left behind on the tree. Many growers will shake twice.
- Blanking (empty shells) of product coming into the plant is at 3.8%, which is close to average.

Our overall feeling about the crop to date is that it is a pleasant surprise. Quality is very good (it usually is at the beginning of harvest), and there have been as many positive yield surprises as negative yield surprises. It must be noted that a great majority of the pistachios coming into our facility are **not** from the production areas reputed to be very high in blanking.

The concerns about the remaining harvest are the heat and NOW. The heat will accelerate hull breakdown occurring in the field, and lead to increased stain levels. We've begun to see this breakdown, and expect stain levels to increase rapidly from here on out.

The graph to the right shows a comparison of total insect damage in 2013 versus this year through Sunday, August 31st. It is quite early, but very encouraging to see insect damage down 70% thus far. It correlates well with what we're seeing in the field.

Harvest is at the peak beginning today. Roughly 4% to 5% of the crop will be harvested each day for the next 10 to 12 days. By the end of this week, 45% of the 2014 harvest should be complete; by the end of next week the crop will 75% to 80% harvested. If the crop is substantially larger or smaller than expectations, we'll know very soon.

The general consensus in the industry is the 2014 crop is equal to the 2013 crop of 469 million pounds. The carryover into the 2014 crop will be down about 30 million pounds. The quality of the carryover inventory will be, for the most part, of poor quality. Why? The carryover magnifies the quality of the prior crop, and 2013 was not a good quality crop year!

All of these factors support current pricing in the \$5.25 to \$5.35 range for bulk, raw, US extra #1, size 21/25 open inshell pistachios. Kernels are in the \$10 to \$10.50 range, depending upon quality.

The one unknown is how much young orchards will contribute to the 2014 crop. As mentioned above, our growers are seeing good production on young orchards. There were 60,000 acres planted from 2006 to 2008; 2014 is the first year they will add significant tonnage to the total crop. Put another way, the crop was 521 million pounds in 2010 from 137,000 bearing acres. Do we believe (despite bloom, blanking, and water woes) we will produce back to back crops of 470 million pounds from an acreage base 60% larger (220,000 bearing acres in 2014 vs. 137,000 bearing acres in 2010)?

We'll tell you in 2 weeks!

