



Market Report



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The 2014 pistachio crop is now about 85% harvested. Yields and crop maturity are all over the board, and quality has generally been very good. We expect the harvest to run on for another 3 weeks. Prices are creeping up in advance of Paramount's 2014 pricing announcement on September 24th.

Quality:

- Insect (navel orangeworm or NOW) damage through the first 80% of the crop is 78% less than the same period in 2013
- Nut size is smaller than 2013, but consistent in size
- Staining is quite low despite record harvest temperatures
- Closed shell was quite low through the first 1/2 of the crop, but has been increasing. We expect closed shell percentages to be close to historical averages at about 17%
- Crop maturity is highly variable. We've seen orchards close in age and geography harvest 3 weeks apart. The variable maturity has hurt yields but has not harmed quality. Many growers this year shook earlier in the maturity cycle, which has generally lowered stain and NOW damage.

Quantity:

We have seen yields on mature trees range from less than 1,000 pounds per acre to over 6,000 pounds per acre. That is not unusual with pistachio; it is an alternate bearing crop. What is unusual is how far off (both ways) we've been in estimating yields of individual fields. We've missed by 70% both ways. There have been a few more misses on the low side, which is expected in a year like this. Some orchards ready to shake, and the nuts will not come out of the tree. Most growers have (or will) harvested orchards two times, and more than one have had higher yields on the second shake than the first! Growers are hand harvesting orchards after mechanically shaking twice.

Many orchards have a portion of the crop that bloomed late, and this part of the crop will mature late, if at all. Harvest will drag on for a number of weeks as growers wait on this crop to mature. Both growers and processors are motivated to bring in every nut possible given record prices. The additional weeks of harvest won't add a huge volume to the crop, but every little bit helps.

Adding all this together, and the general consensus is still a 450 million to 475 million pound crop. We think the crop is closer to or greater than 475 million due to 2nd shake receipts being greater than past years. The marketing order board (ACP) will collect receipts from all processors in California, New Mexico, and Arizona through September 20th, and publish the information on September 26th. The crop should be 85% to 90% done as of September 20th, so we'll have a very good idea of the final crop, and can stop talking about it!

Markets:

Inshell prices have risen \$0.10 to \$0.15 in the past two weeks, mostly due to the absence of Paramount from the marketplace. Not much volume is trading, as most buyers and sellers are awaiting the price announcement due next week. We've been told buyers have confirmed US extra #1 raw open inshell size 21/25 at \$5.45 per pound; that is the highest price we've (ever) heard.

Summary:

The pistachio supply will be down 5% to 10% for the 2014-15 season. Open inshell supplies will be down less than this amount due to the high quality of the 2014 crop. Relative to last year, very little of the 2014 crop has been committed. Many export customers are buying short term or hand to mouth. Prices are up much more than 10% relative to last year.

While many in the industry see the price announcement next week as the barometer of the crop, we believe consumers will be the ultimate judge. We don't know how many consumers will walk past pistachio displays if prices increase another 15% from this past year.