



Market Report



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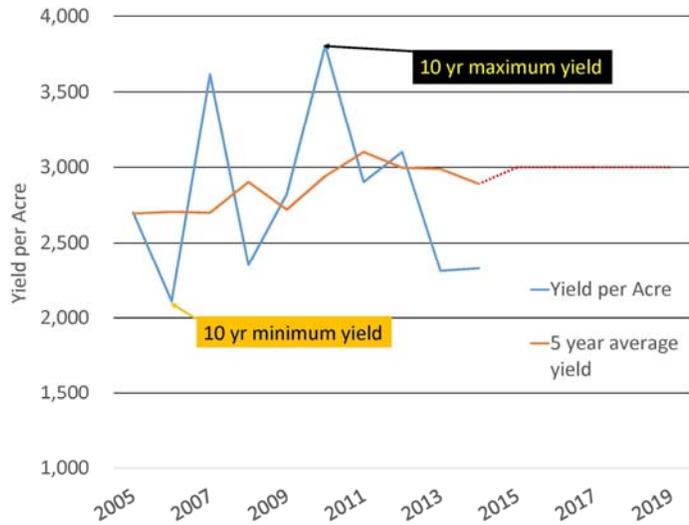
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A Look Into Future Crops

Acres and planting statistics for US pistachios were published this week. There are now 295,000 acres of pistachios in the USA, of which 220,000 are in production. In the year 2000, there were 96,000 total acres. Quite a growth curve!

Acres planted is part of the production equation; the other part is how well pistachios yield. At right are the average pistachio yields for the past 10 years, as well as a rolling 5 year average yield. The 5 year average increased from 2005 to 2011, peaking out at just over 3,100 pounds per bearing acre. Since then, the average has declined about 200 pounds per acre. This is expected, as a much higher percentage of bearing orchards are early in the production cycle, and won't produce maximum yields for another 5 to 10 years.



What we don't know going forward is the yield impact of the ongoing drought, the yield capability of many orchards planted on poorer soils in recent years, and the repercussions from the rhodococcus bacterial infestation on orchards planted between 2011 and 2014. None of these factors will improve yields; all of them will have at least some negative effect on the average yields going forward.

On the other hand, growers are becoming ever more proficient at wringing yield out of pistachios. They are far more efficient irrigators now than a few years ago, typically implement multiple harvests to capture maximum yield, and rarely let their orchards suffer from yield robbing nutritional deficiencies. So we don't think the assumption that yields will decline dramatically over the next few years is accurate. Growers are strongly incented to increase yield due to strong prices.



As food for thought, we've graphed out potential crop size trend lines using 3 different yields. The lowest uses the 2006 yield of 2,110 pounds per acre; it is the lowest yield in the US industry in the past 10 years. The highest yield in the past 10 years was 3,806 pounds in 2010; it forms the basis of the maximum trend line. The middle trend line is an assumed average yield of 3,000 pounds per acre.

Using these maximum and minimum yields we anticipate US crops for the next 5 years to be as small as 500 million pounds, and as large as 1.1 billion pounds. A lot of things would have to go right to hit 1.1 billion pounds at any time in the next 5 years, but it is possible.

The market remains fairly quiet. Exports to China/Hong Kong continue to lag, but domestic shipments are picking up. California continues to be very dry, and winter chilling is similar to last year. There is no consensus on the potential for the 2015 crop. We don't expect consensus to develop until late spring, and so don't expect much price movement during the interim.