



# Crop Report



September 13, 2018

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NICHOLS FARMS

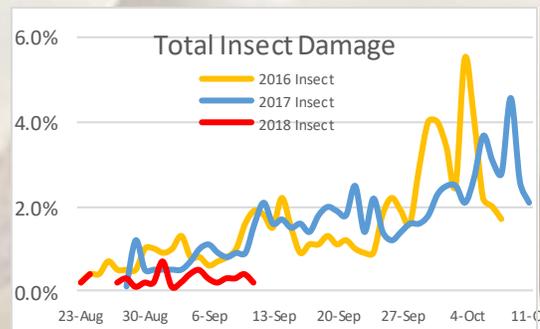
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The 2018 pistachio harvest is approaching 1/3 complete. Quality is significantly better than the 2017 and 2016 crops, but deliveries are delayed compared to both years. Nut size is small. Yields are less than expected in the predominant Kerman variety. Pricing is unchanged as most buyers and sellers wait for a better idea as to total crop size and inshell quality.

As forecast last week, the 2018 pistachio harvest is now at peak volume, and the next 2 weeks will determine the quantity and quality of the crop. About one half of the crop will be harvested, hulled, and dried during this time. The predominant variety in California is Kerman, and harvest of this variety began in earnest only last week. Golden Hills is a newer variety, and harvests earlier than Kerman. Deliveries of Golden Hills are mostly complete, and some growers have already shaken orchards twice. Golden Hills has yielded better than expected, but accounts for a small portion of the total crop. Kerman variety yields, for the most part, have been less than expected. Most Kerman orchards are older, and not yielding as well as 2016, the record crop year.

We don't know why Kerman yields are lower (relative to expectations) than Golden Hills; it's one more thing we don't know about pistachios!

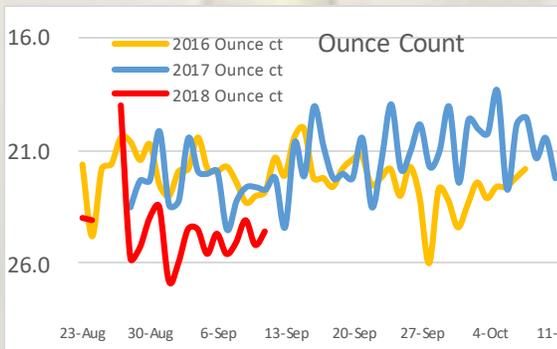
The most important quality parameter, insect damage, has tracked lower than the 2016 and 2017 crops since harvest began. This can be seen in the graph at right. However, insect damage can increase rapidly as harvest progresses, and we expect this to be a long harvest season. So the trend is good, but



it's too early to claim

victory over navel orange worm in 2018. Shell staining is also low. Cool temperatures throughout the production are in California are forecast for the next 10 days, and should slow insect pressure and keep stain levels in check.

On the negative side, nut size is 10% to 15% smaller than either of the last two crops. The 18/20 size will be limited this year compared to the 2016 and 2017 crops. The percentage of closed shell nuts in the Kerman variety is high in many orchards.



Last week we wrote a 900 million pound crop was achievable. After another week of receiving pistachios from Kerman orchards, we're starting to have doubts. The quality and quantity of the 2nd (or re-shake) from Kerman orchards may surprise us on the upside, but we're not holding our breath.

Not much has happened with pricing in the past week. Customers are buying for short term needs, and paying a premium for early shipments from the 2018 crop. Despite large crop expectations and trade fears, prices have held firm. Given what we've seen of the crop (or lack thereof), we're more bullish about pricing now than at the start of harvest.