



CROP REPORT

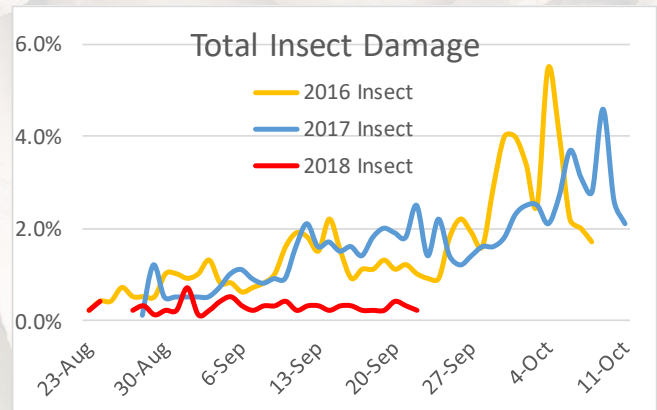


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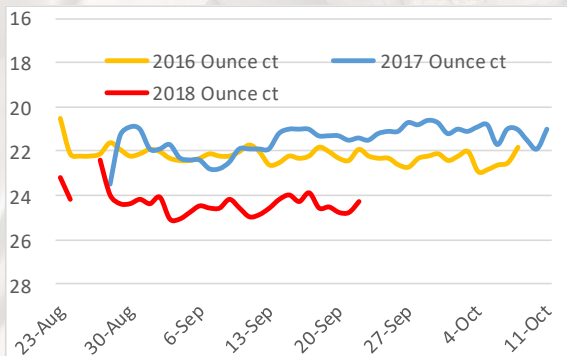
The California pistachio harvest is 2/3 complete. Crop maturity is later than normal and the crop is coming in slower than past years. Shell staining and insect damage are both at low levels. Nut size is small. Pricing is firm at present, and higher than last year at this same time. Estimates for the final crop size range from 900 million to 1 billion pounds.

The headline for the 2018 US pistachio crop is its beautiful quality. Exporters, processing plant managers, and cost accountants are rejoicing over the 2018 crop. Soon EU importers will join the party, as it is likely aflatoxin in this crop will be minimal. The 2018 crop will process easily and quickly, with lower costs and yield losses than the dreadful 2017 crop.

Insect damage, predominantly navel orange worm (NOW), is at the same level today as the first day of harvest (see chart at right). The last 10 days have been the peak receiving period, and NOW during this period was a fraction of the last two years. We fully expect NOW levels to increase from here on out, but we're confident the NOW and aflatoxin issues of the past 2 crops will be absent from the 2018 harvest.



In our first two newsletters on the 2018 crop, we had doubts about the crop reaching 900 million pounds. We were in a minority, as most in the California pistachio industry expected 900 million or more pounds. The consensus today is a crop marginally larger than the 900 million pounds. The experts believe 900 million pounds is certain, 950 million pounds is likely, and 1 billion pounds is possible. We are still at the low end of scale, but believe the crop will hit 900 million pounds. It is likely the harvest will continue for at least another 4 weeks, as most growers will (or already have) harvested their trees a second time.



Sizing will be the major challenge for the 2018 crop. This crop has a lot of small, very pretty inshell pistachios! We don't yet know if 21/25 or 21/26 will be the predominant size. The graph at left shows the much smaller sizing in 2018 relative to 2016 and 2017. Larger sizes, 19/22, 19/23, and 18/20 will be in short supply, especially 18/20's. We expect a \$0.25 to \$0.30 premium over 21/25 for larger sizes this year.

Pricing has not budged since the start of harvest, and remains in the \$4.10 to \$4.25 range for US extra #1 open inshell, size 21/25. Buyers are cautious, waiting for confirmation of the crop size, crop quality, and opening prices from Paramount. The next two weeks will be a very busy time for all in the pistachio industry!!

We'll send out another update after the ACP releases 2018 crop receipts through the end of September.