

Harvest and Market Update

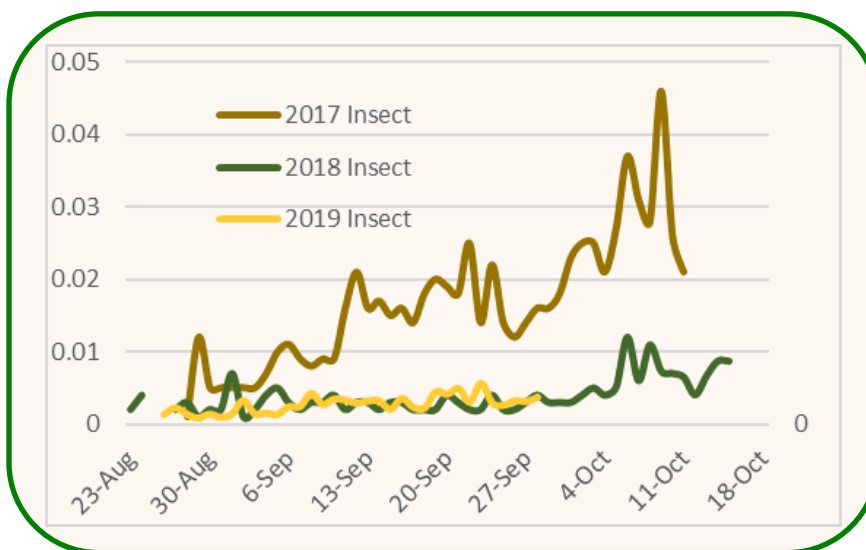


October 3, 2019

We are 5 weeks into receiving the 2019 crop. Through the end of September, we have received 88% of our expected final receipts. Though a little less than expected in terms of volume, the 2019 crop is exceptional in quality.

It is low in navel orangeworm (NOW or insect) damage, similar to the 2018 crop, and in marked contrast to the 2017 crop (see insect graph). We expect aflatoxin levels to be very low, as aflatoxin correlation with NOW is very high.

Low NOW (insect) damage equals low aflatoxin.



In addition to low insect damage, the 2019 is lower in stain, closed nuts, and nut size is larger than the 2018 crop. The average nut size from our 2019 receipts is 22.8 nuts per ounce as compared to the 2018 crop at 24.8 nuts per ounce. There will be some 18/20's in the 2019 crop, where they were non-existent last year.

Though we have received almost 90% of the crop, we expect harvesting to continue for another 3 weeks. Many growers will shake

their orchards twice this year, which accounts for the extended harvest. We have not amended our thoughts on the California crop, and still believe it is ~725 to 750 million pounds, plus or minus.

The market has been quiet during the past week, until today. We have received numerous reports of price offers from a major California supplier at \$4.40 per pound for US extra #1, size 21/25 raw (unroasted) open inshell pistachios. Most buyers expected pricing to be \$4.20 or less; some thought less than \$4.00 per pound.

Given that some California processor/suppliers have run out of inshell pistachios in one or both of the past two years, it is understandable that opening prices are higher. That said, there are clearly headwinds for demand as well as tailwinds. The tailwinds are a smaller 2019 crop and increasing world demand for plant based protein in general and pistachios in particular. The headwinds are a strong dollar, a significant Iranian crop in 2019, and high tariffs in China, the number one export destination for California pistachios.

We will write a final harvest report in 2-3 weeks, after the entire crop has been received.

Chuck