

# MARCH 2020 UPDATE

March 31, 2020



## THE LATEST FROM NICHOLS FARMS

We've all had a lot on our minds and on our plates (no pun intended). From hearing about a virus in China, to quarantines of cruise ship passengers and crew, to toilet paper and bottled water runs, cancelled sports, entertainment, and all large gatherings. We've learned many new words and phrases: shelter in place and pandemic. Still need a word to define those people with 6 months of toilet paper at their...

Our first and foremost goal has been to make our workplace as safe as possible for our employees. We have instituted many changes over the past 2 weeks as the corona virus pandemic gets closer and closer to our part of the world. From expressing concern a month ago, we now do the following:

- *Take all employees' and contractors' temperatures before they come into our facility, and ask them health-related questions (temperature, cough, trouble breathing) at the beginning and midway through the work day.*
- *More than tripled our sanitation staff that clean break rooms and bathrooms, and clean these areas at least once per hour.*
- *Space employees in hand sort and pack lines to be six feet apart.*

We are adding to the list as we learn best practices. Our employees have been great; we've asked them to come to work if healthy, and stay home if they are sick. Most all of them are healthy and coming to work. As you will see from Nick's market update, we need them here, as domestic demand has been very strong.

So what does that mean as far as grower pricing? We've been telling growers to expect pricing to be higher than last year. It made sense, given the opening price into the export market of \$4.40 per pound in the fall of 2019, versus \$3.80 per pound for the 2018 crop. Since the October opening price of \$4.40 per pound, prices have fallen about \$0.60 per pound. Our guidance now is: "final prices to be at or above last year". It had been: "above last year's price". It all depends on how messy the markets get later in the year. We don't know what the effects of the country shut-downs will be a few months from now, much less know the effects on pistachio demand and price.

We will endeavor to keep you informed while shelter in place rules are in force, and look forward to visiting with you at the farm or in the store later in the spring.

*Chuck*

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## SALES & MARKET UPDATE—SHIPMENTS

Nichols Farms YTD is currently up double digits with an 11% increase in volume vs last year. The pistachio industry is down in total (-21%) with inshell being the main contributor. Kernels continue to show positive movement both in the domestic market and export.

### TOTAL PISTACHIOS (LBs)

Inshell: 286.1MM (-21%)

Kernels: 35.5MM +19%

Total: 349.9MM (-21%)



### DOMESTIC (LBs)

Inshell: 89.7MM (-2%)

Kernels: 23.6MM +14%

Total: 114.2MM (+2%)

### EXPORT (LBs)

Inshell: 196.5MM (-30%)

Kernels: 11.9MM +28%

Total: 235.6MM (-32%)

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## CONSUMPTION DATA UPDATE, 4 WKS ENDING 3/22/20

*Pantry-loading caused a spike in sales across shelf-stable goods this past month, and Pistachios saw the most growth across all major nut segments.*

**Total Pistachio Segment:** +18% \$Volume, +9% LBs vs year ago  
+ 6% Distribution



Inshell: +9% \$Volume, +5% LBs sold



Kernels: +41% \$Volume, +24% LBs sold

Source: IRI Total US Multi-Outlet + Convenience, 4 weeks ending Mar 22, 2020.



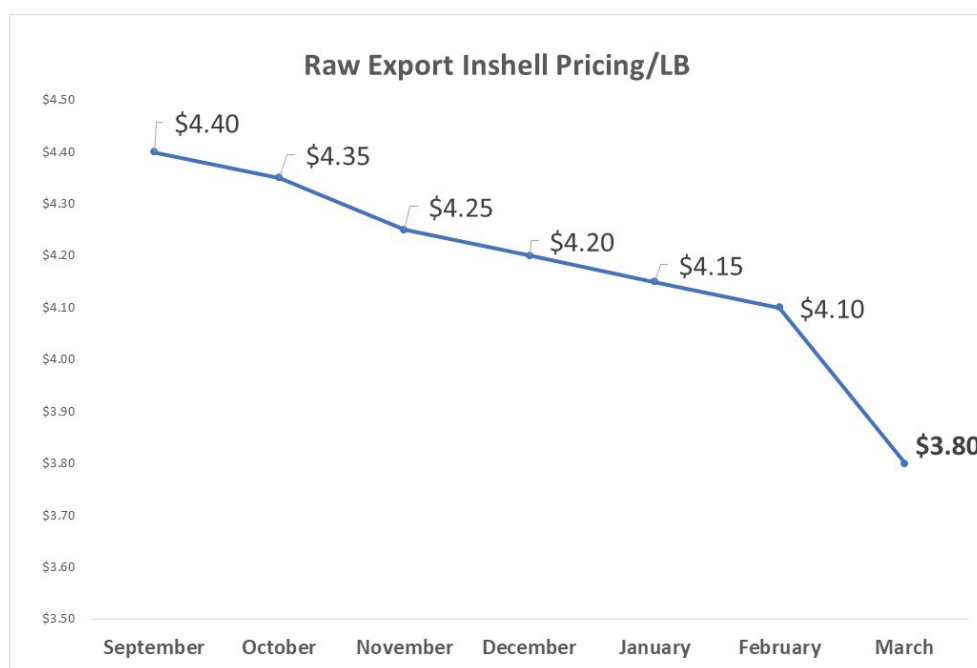
## HOW HAS COVID-19 AFFECTED THE MARKET?

We have seen an increase in domestic orders from 50% - 400% with people “panic shopping”. Nichols Farms production and shipping teams have done a phenomenal job of meeting the increase demand! But how long does this increased demand last? A few concerns for the domestic market; What happens when the pandemic is over? What happens to demand after everyone has “stocked up” on pistachios? With people being furloughed and business shutting down will the purchasing of high-priced pistachios still be the norm for families, or will the focus be on more affordable options? There are a lot of uncertainties with the increase demand we have been seeing and what that means to the market after this is over. We will continue to watch and keep everyone updated on the situation.



### Exports

- Since September's opening price of \$4.40 lb, there has been a big drop for inshell pricing. Currently there are offers out there at \$3.80 lb for US Extra #1 inshell.
  - Euro value has been volatile, swinging from a low of \$1.08 up to \$1.14 since the COVID outbreak.
- Kernels have been steady in terms of pricing with a small price gap between qualities.
- Export demand has continued to be slow due to price uncertainty in the market and now port congestion due to the pandemic.
- Some major concerns for markets like India and Italy, with countries on “lock down” and their banks not open, is payment for loads that have arrived at ports or that are in transit.
- Euro buying habits have changed to more standard staples like pasta, rice, and peanuts—the demand for pistachios has not been the same as the US.





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## WINTER CHILL UPDATE

The 2019/2020 winter has been mild which is not necessarily ideal for “chilling”, or carbohydrate preservation. As the trees enter dormancy in the fall, they store their carbohydrates which are then used during bloom the following spring. If the temperatures have been warm, then they use up stored carbohydrates. If it stays “cool” and foggy, they preserve more carbohydrates over the winter and more available energy in the spring for bloom. This generally leads to more synchronized blooms.

What we’ve noticed over the years, from anecdotal observations, is a cool fall and winter leads to more uniform bloom timing. Figure 1 below shows the variation in chill accumulation over the past seven years. The UC Davis Fruit & Nut Crop Chill Portions Requirements page suggests that the male Peters variety requires 58-65 chill portions, but you’ll likely notice differences in bloom timing between blocks due to the warm fall. Those that are going into an “on year” will likely be further ahead of those going into an “off year”. In summary, winter chill should not be an issue for growers this year, but there are variations in bloom timing between “on”



Jimmy Nichols

Table 1 - Historical Chill Accumulation -Tulare, CA

Chill Portions	Years						
	13-14	14-15	15-16	16-17	17-18	18-19	19-20
Tulare							
12/1	12	11	17	11	9	11	10
1/1	33	31	38	31	29	34	30
2/1	50	53	61	52	49	56	52
2/28	60	63	71	66	62	74	66

## IRRIGATION MANAGEMENT

Water stress during shell expansion can increase the risk of having early splits. If you flooded or ran long sets during the winter, you should have adequate moisture heading into the spring. A soil auger is a great tool to test for that. If you were not able to irrigate during the winter, irrigating in April can help limit the risk of having early splits. This CAN lead to yellowing, so if you do irrigate, it is preferable to irrigate on warm sunny days. If you chose to irrigate, short irrigation sets (2-3 hours) are advisable, especially on the loam soils in the Hanford/Tulare area.

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## NAVAL ORANGEWORM MANAGEMENT

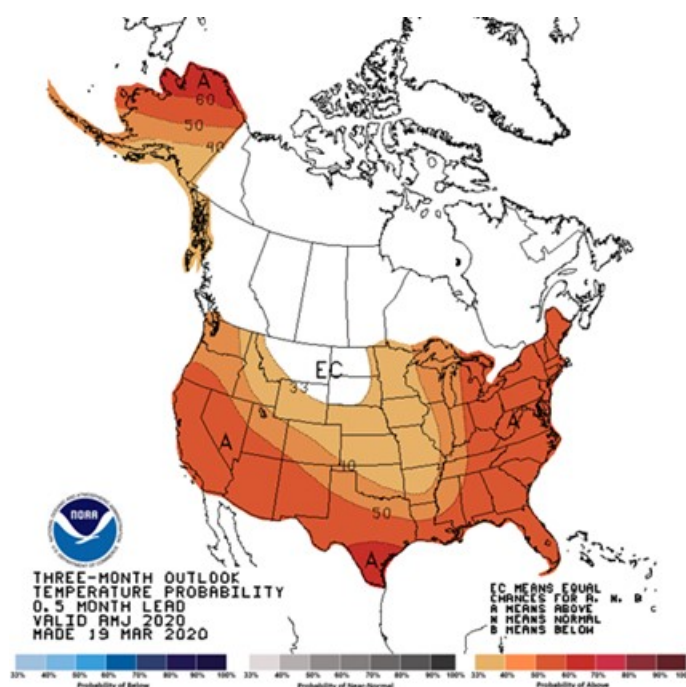
The industry has had two years of excellent Navel Orangeworm control. This has occurred on growers' efforts of sanitation, spraying with focus on insecticidal efficacy, timing, coverage, and harvest timing. It is also likely due to good hull integrity and cool spring weather (in the case of 2019).

Looking forward to the 2020 season, the seasonal outlook indicates a warmer than average spring (Figure 1). Warm spring weather (and combined with a lower than average winter chill accumulation) has shown to decrease nut size. Smaller nut size generally results in more early splits, which leads to a higher Navel Orangeworm populations earlier in the season. As we get into shell expansion, a dry soil profile can lead to a smaller nut size as well. Combined with all this bad news, Joel Siegel, Ph.D. research entomologist for the USDA, has suggested that the overwintering Navel Orangeworm populations are higher than in previous years.



Gerrid Climer

Figure 1-April, May, June Temperature Forecast



So, what is there to do now? Winter sanitation is still the best way to combat Navel Orange-worm. They are 3 times more likely to survive on the tree opposed to being knocked to the ground. If you still see a significant number of mummies in the tree canopy, we suggest consulting with your staff or PCA immediately to discuss an action plan. As we move into the season, be on the lookout for industry materials regarding Navel Orangeworm spray timings and insecticide efficacies.