Q&A PISTACHIOS WEBINAR

Last updated on June 17, 2020

1. How much has the consumption increased due to the COVID-19 situation due to the shift on the consumer behavior?

The pistachio industry has seen a sustained increase of 5 to 10% versus pre-COVID.

2. Crops are going bigger and bigger but demand has not grown as much compare to crop size. How will the market react to this, especially this year due to COVID-19?

In a normal year, the demand is usually not far from crop size. This year may be particular due to the Turkish bumper crop. Anyway, a very strong marketing activity is in place from the INC side and we welcome the major producing countries (USA, Iran and Turkey) to activate themselves more and more with national/association support. Target countries are mainly Mid East and Far East countries. In addition, the attractive price will facilitate an introduction to new consumers.

Consumer demand for pistachios, which are a healthy snack with plant-based protein, will continue to grow.

3. What is the demand contraction expected in emerging and matured markets post COVID-19?

Consumer demand for pistachios has been stable-to-growing since the COVID-19 outbreak.

4. According to recent Euromonitor reports, premiumization models in the food industry will suffer significantly during post COVID-19 period, does this also have an effect over products which have a premium perception, like pistachios? Is the pistachio industry planning to make further marketing activities in order to move such a big volume?

The pistachio industry will continue to promote the health benefits of the pistachios. Please see Question #2 Answer.

5. How do you see the future demand of pistachios with the recent pandemic crisis?

Consumer demand for pistachios has been strong-to-increasing during the pandemic.

6. How is the demand in Italy for the different nuts, like pistachios and almonds, now that things are opening up?

The information above is a review of the responses compiled from the panellists of the Pistachios Webinar. The content of this document does not necessarily reflect the opinions of the INC. Publishers can accept no liability for any inaccuracies that may appear, or for any loss suffered directly or indirectly by any reader as a result of any content published in this article.
During COVID-19, the demand in Italy has been stable and even increasing. We forecast a reduction by 10%, mainly due to the family spending reduction.

7. **What reduction percentage do you see in demand in HK/China due to COVID-19?**

We forecast a 20-30% drop by COVID-19 as the importation of pistachio fell by at least 50% in the past five months.

8. **Turkey’s crop is so big, is it realistic? Will Turkey be exporter of pistachios in-shell or just pistachio kernels, like always?**

For both, Turkey is going to be an exporter for the new crop. Especially, regular pistachio kernels (which India bought before). But also mawardi kernels, roasted and salted-in-shell pistachios, could bring some opportunities to the market.

9. **Is the Californian crop larger than last year?**

CY2020 is expected to be larger.

10. **Is the Iranian pistachio crop larger than last year?**

As discussed in more detail during the webinar, the current estimation of the Iranian Pistachio Association (IPA) shows a slight reduction in crop volume relative to 2019 crop. Quality wise, it is too soon to make any meaningful estimation of the 2020 crop.

11. **What is the effect of increasing the pistachio crop in the next five years?**

Recognizing supply and demand, which will be beneficial to investors, is the major effect of increasing the pistachio crop in China. But it will take years to come.

12. **How much would be the volume of carry forward of pistachio crop of 2019?**

Based on current estimates, 120 to 130 MM lbs.

13. **Despite the current crop being "off", Turkey will still carry over 75,000 tons. What will be the plan to have 150K MT consumed domestically and as much volume exported?"**

We had a big crop in 2018 and the prices were too high to export in 2018. After price corrections with the new crop and strong USD against TL, there will probably be a bigger domestic consumption and more pressure on pricing to have more exports.

The information above is a review of the responses compiled from the panellists of the Pistachios Webinar. The content of this document does not necessarily reflect the opinions of the INC. Publishers can accept no liability for any inaccuracies that may appear, or for any loss suffered directly or indirectly by any reader as a result of any content published in this article.
14. Do you think Iran can cope competing in plantation and marketing its products against Turkey and others in the next 5-10 years? (knowing all climates, political and financial issues).

Iran is doing its best to be able to expand and compete. As briefly discussed in the webinar, it is worth reiterating that certain changes in the Iranian pistachio industry are forcefully going through, resulting in more economically efficient production and supply chains, which can help achieve this objective. As the Iranian industry becomes more vertically and horizontally integrated, this can help competitiveness of our industry in years to come.

15. All tree nuts will have historical record crops this year, what can be the main obstacles to boost the consumption of pistachios?

For sure the first obstacle is the "consumer price" versus toasted/salted/dressed almonds and cashews, which are the closest competing items.

As China does not grow large amounts of pistachio, it relies on imports from different origins. The main obstacles from different origins are the following:

- In the US, at present, the main obstacle is the price that could compete with other origins, due to the high duty, which is counting at 25%.
- In Iran, the main obstacle is quality control. The market needs good quality pistachio of the different varieties but not a blending on quality to achieve a price.
- In Turkey, the main obstacle is promotion to let distributors and consumers know what and how is the Turkish pistachio.

If the main obstacles were overcome, the consumption of pistachio would increase in China.

16. Is there any foreseen trend in in-shell vs. kernel trade and consumption?

In the past century, the trade was 100% in-shell. Since 2000, kernels accounted for 10%. Nowadays, I guess that kernels already represent 20% and the trend will continue. Kernels are growing faster as consumer awareness increases.

The Chinese pistachio market is 98% in-shell and about 2% kernel. Some baking and cooking advertisement of pistachio kernel through instant food shows were cancelled due to COVID-19 in the past five months. This kind of promotion is important to the industry to use more pistachio kernel as a food ingredient. Currently, some kernel promotions are done via WeChat and internet. The consumption of pistachio kernel could increment by a few percentage via this cyber promotion.

The information above is a review of the responses compiled from the panellists of the Pistachios Webinar. The content of this document does not necessarily reflect the opinions of the INC. Publishers can accept no liability for any inaccuracies that may appear, or for any loss suffered directly or indirectly by any reader as a result of any content published in this article.
17. How is the Turkish crop consumed in both domestic and export markets?

In Turkey, pistachios are consumed as kernels (50%) and as snack (50%). As for exports, 90% are kernel pistachios and 10% pistachio in-shell.

18. What is your opinion about the future consumption in Europe in the short term? Can we expect to see a radical decreasing on consumption until next crop?

We don’t expect a significant decrease post-COVID until the next crop, because pistachios are consumed all year round. With the opening of the European touristic season, Europe can still maintain good sales helped by the lower unit price.

19. Considering Turkey’s huge per capita domestic pistachio consumption and the record amount of around 15 thousand tons of net pistachio exports in 2018/19 crop year, is it fair to assume that Turkey’s share of global pistachio net exports will remain limited in the next five years?

Actually, after the price correction of pistachios, ingredient markets could start to buy pistachios and the Turkish pistachios could definitely get the highest percentage share in these sectors with its huge diversification, taste, color, flavor…

20. What is your prediction for pistachio consumption in North and South America in the next five years?

We expect a consumption growth between 5-10%.

21. What is the prediction of long-term trends in pistachio price?

We believe that consumer demand for pistachios, which are a healthy snack with plant-based protein, will be strong maintaining price levels.

22. Iran has to face many problems shipping pistachios due to sanctions. What is the INC or the nut industry doing to help Iran? Can the nut industry support Iran to come out from this issue?

Indeed both the unilateral US sanctions and certain local regulations and initiatives introduced by the Iranian Government in response have had a negative effect on the export and flow of Iranian pistachios to many destinations. That being said, since the totality of pistachio/nut industry constitutes a small portion of the Iranian economy, it does not seem realistic that the INC or the nut industry by itself can influence policymakers in either countries.

---

The information above is a review of the responses compiled from the panellists of the Pistachios Webinar. The content of this document does not necessarily reflect the opinions of the INC. Publishers can accept no liability for any inaccuracies that may appear, or for any loss suffered directly or indirectly by any reader as a result of any content published in this article.
23. What are the main reasons for the drastic price decrease in Iranian pistachios?

Of course, as discussed earlier, both the unilateral US sanctions and certain local regulations and initiatives introduced by the Iranian Government in response have had a negative effect on the export and flow of Iranian pistachios to many destinations. This resulted in exports of September to January to be less than the opening inventory required. Additionally, shipments from February onward coincided with different aspects of COVID-19’s effect on major destination markets. As such, by the end of April, we were witnessing an above-average inventory levels in Iran, which has resulted in adjustment in prices. Additionally, since the majority of Iranian pistachios are traded as stock & sale or spot trade, the above-mentioned situation has had a more significant effect on current pricing than competitors in California, which handle a much larger share of their crop through fixed-price long-term contracts.

24. How do you think US presidential elections will affect the US-China trade war?

It is very difficult to judge but we could see some improvements. As of March 8, 2020, China allows importers to apply for the removal of the retaliatory tax on some products (US pistachios included) against the 301 session, which reduces the duty from 45% to currently 25%. We will probably see more benefits for both importers and exporters.

25. How was the aflatoxin issue controlled in 2019 crop? Are there any new methods for 2020?

Continued focus on sanitation to reduce aflatoxin.

26. In-shell pistachios from Turkey normally do not have a good shell color, what is the plan for improving the quality in the future?

In Turkey, the color is darker because pistachios are dried with hulls to preserve the quality for longer shelf life. If the products were hulled immediately after harvesting, there would be good colors outside. Bigger crops will lead to less drying with hulls, and more as hulling, while fresh and fresh hulled in-shells will help to improve export snack markets.

27. Are there any updates on the work being carried out to reduce the effect of NOW (Navel Orange Worm) on the US crop in particular? Particularly taking into account the likely warmer/drier winters to come, does the industry feel it’s winning the battle?

Insect damage is hard to predict, but growers have put significant efforts into sanitation, spraying and pheromone/bio rational pest control.
28. Which is the percentage of insect damage expected for 2020 crop and which action has been taken in California in order to prevent it?

Please see Question #27 Answer.

29. What are the main challenges processors have to deliver consistent quality? What are the main challenges during sorting? How can suppliers of sorting technology help suppliers to improve their business and solve challenges?

Quick turn-times at harvest and professional field pest control are the biggest factors to increase quality.

30. Have the climate conditions and other factors left any significant damage on production until now?

In Turkey, it has not. We had several hail issues in April and only in several villages, which is only 1% of the total production. All seems OK.

In California, the weather for CY2020 has been generally very good.

Considering the geographic diversity and distinctive requirement of each Iranian pistachio variety, in different areas there have been climate conditions that have damaged/affected production in an individual area. That being said, so far we have not witnessed such a major condition as to have a widespread effect on the totality of the production of different areas/varieties.

31. What are going to be the levels of floaters in the coming crop year in Turkey and USA?

For California, we expect a normal year. If the erratic bloom is significant, this factor could increase the percentage.

In Turkey, there is always between 40-45% (average) of closed shells per total crop. But in coming years, it seems that we will be getting less percentage of closed shells thanks to the help of modern farming practices.

32. Do you think Antep varieties will have acceptance in worldwide markets?

Certainly. The unique taste of these pistachios will definitely start to improve the acceptance in world markets with the help of price corrections, especially for ingredient markets, which will be led by record pistachio supplies worldwide.
33. Which are the main product developments in pistachios in California?

Flavored kernels (also known as “no-shell”) is the biggest innovation.

34. What has been done for using by-product such as hard shell in USA? And for the future?

No significant work has been done on the by-products. We continue to search for opportunities.

35. Will California also produce organic pistachios in the future?

Organic pistachios are not a significant opportunity.

36. Similar to the California Almond Board, why do not USA/Iran/Turkey have active boards to promote pistachios worldwide?

Turkey was only capable of matching its own needs for pistachios until recently. From now on, there will be promotion groups for Turkish pistachios like those we have in Turkish hazelnuts.

California does not have a pistachio board.

In Iran, two major factors cause a hindrance to such an outcome. In general, the unilateral US sanctions and its enforcement methods have made participation/collaboration for Iranian entities in international/multinational organizations more challenging. Perhaps more importantly in this regard, the highly fragmented small-size production and supply chains in Iran, and possibly Turkey, will limit what individual entities can do in this regard.

The information above is a review of the responses compiled from the panellists of the Pistachios Webinar. The content of this document does not necessarily reflect the opinions of the INC. Publishers can accept no liability for any inaccuracies that may appear, or for any loss suffered directly or indirectly by any reader as a result of any content published in this article.