

# Consumers Go Nuts For Pistachios

*With a focus on the added health benefits of pistachios, retailers find they can't keep the nut from flying off shelves.*

BY CHUCK GREEN

**S**hoppers are gobbling pistachios like, well, nuts, leading to record sales of the snack nut. Nonetheless, a current pistachio shortage has led — at least temporarily — to record high prices, states industry experts. Processors have nearly or completely sold out of pistachios, and until the new crop comes in September, prices will remain at all-time high levels, says Richard Matoian, executive director of the Western Pistachio Association (WPA) in Fresno, CA.

"It's a finite supply and getting really low," warns Marc Seguin, director of marketing for Paramount Farms Inc, in Bakersfield, CA. He says the company has enough remaining inventory to satisfy its established customers through the rest of the year, although the supply will be as tight, ratcheting prices upward. "It's a momentary blip," adds Seguin.

Likewise, Setton International Foods Inc., based in Commack, NY, has fulfilled its commitments to its customers and looks forward to the new crop, declares Joseph Setton, vice president of sales and marketing.

## SELLING OUT

Nichols Farms, headquartered in Hanford, CA, reports similarly hearty sales, both domestically and internationally, and has shipped more domestically this year than last, according to Milt Castro, sales manager at Nichols Farms. "In fact," he adds, "most of us are sold out." While acknowledging they've been high of late, he urges retailers to remember that, typically, pistachio prices are set at the beginning of the crop year and that the industry was anticipating a large crop. Consequently, when Nichols Farms, for instance, contracted with many of its retail customers, it did so at a "reasonable"



Prices on pistachios have been high lately due to an unexpected crop shortage.

price, and one at which their customers could maintain their pricing at a certain level. However, when sales caught on fire, most processors simply ran out of product because they didn't receive their anticipated volume, he notes.

While Nichols also points to cost increases sparked by concerns over a potential gap in supply before the new crop comes in, Joe Connolly, produce category manager for Quincy, MA-based Stop & Shop Supermarket Co., adds, "Demand fell off after we were forced to raise retails a bit, though not to the anticipated degree. However, over time, demand has continued to slide due to the higher retails," he observes.

## OVERCOMING THE SALMONELLA OUTBREAK

The sales flurry seems particularly impressive, considering the short-lived impact that the pistachio salmonella outbreak, which occurred last March, had on

the industry. The outbreak culminated in a short-term 30 to 50 percent drop in shipments, observes Matoian. Only about two months after the onset of the incident, the market rebounded completely. "In fact, July through December of last year yielded record pistachio sales and shipments both domestically and internationally," he adds.

The salmonella problem was isolated to one processor and is yesterday's news, emphasizes Teresa Keenan, marketing manager for Keenan Farms in Avenal, CA. She says the event served as a valuable lesson to the industry, and emphasizes that food safety always has been "extremely important" at Keenan Farm.

The pistachio industry reacted well to the outbreak, adds Castro. He points out that "almost every single processor" invested millions of dollars in updating their plants and ensuring that shipped products are as safe as ever, heading off likely FDA mandates. At Nichols, a plant reconfiguration

culminated in the addition of a ready-to-eat section, an area that raw products never come anywhere near, he says.

Similarly, since the outbreak, Keenan Farms has "stepped up" its already stringent standard operating procedures to ensure the safety of its products, Keenan observes. The upcoming 2010 crop appears to be about the same size as last year's approximately 350 million pounds, she notes.

Meanwhile, Setton assures Setton International Foods has one of the most sophisticated food safety programs in the entire nut industry and continues to experience "very strong" demand for its pistachios. Setton is also working with retailers to develop promotional programs for the new crop.

On the retail side, Jacksonville, FL-based Winn-Dixie Stores Inc. experienced no long-term negative impact from the recall, according to category manager Jerry Davis.

### HEALTHFUL SNACKING

In addition to the swift action by processors, Matoian of the WPA attributes the industry's rebound to factors such as consumer confidence that no confirmed cases of illness linked to the consumption of tainted pistachios were reported by the Centers for Disease Control. He also cites

increasing consumer awareness of the healthful aspects of pistachios.

Adds Paramount's Seguin: "Since pistachios are more healthful than potato chips, it's great for people to realize that." He knows the company has a salty snack that's as good from a taste standpoint and entertaining from a consumer enjoyment standpoint as any other single item in the \$10 billion salty snack category. "If we can just add on the fact that this is better for you than 95 percent of everything else in that category, we have a really good consumer proposition," he remarks.

Matoian points out that 90 percent of pistachio sales can be attributed to their billing as a snack food item, with the remaining 10 percent of sales for use as an ingredient.

Five years ago, only one study on the health benefits of pistachios had been conducted, whereas seven have been generated this year alone, helping enhance the credibility of the health benefits of pistachios, says Kelly Plowe, Paramount Farm's nutrition communications manager. That's why pistachios are now the on the same playing field as other nuts and are receiving their due media coverage, she adds.

The entire nut category has gotten a "tremendous lift" from the attention gener-

ated by health-related publicity, Winn-Dixie's Davis adds. While he doesn't believe the health benefits of a pistachio are the main driver of this year's growth, Stop & Shop's Connolly calls the industry efforts in this area a "contributing factor."

Along those lines, Shannon Patten, media and community relations manager at Lakeland, FL-based Publix Super Markets Inc., says one of the best way to promote pistachios is to reinforce the consumer message that "they are good for your heart," and 90 percent unsaturated fat. Not only that, retailers should play up the multiple uses of pistachios. "Remind them of recipes they go well with," she suggests, and provide a strong promotional program that provides value to the consumer.

### YEAR-ROUND CONSUMPTION

There's also a matter of convincing retailers that pistachios aren't just used as gifts during the holidays, but consumed year-round, comments Nichols Farms' Castro, who suggests various themed units related to special occasions such as holidays and sports, including the NCAA basketball tournament and Super Bowl. Many processors, whom he believes leverage similar related tactics, are helping to further acclimate retailers with the benefits of drawing attention to pistachios more often than they previously have. "They see the sales and what promoting and displaying pistachios has done for their category in terms of profitability," he says.

With its different lines of nuts, including pistachios, Winn-Dixie focuses on point-of-purchase material and display bins, which promote the healthful benefits of nuts, explains Davis.

WPA's Matoian recommends retailers leverage freestanding, mobile units in their produce section.

Paramount Farms is continuing to expand to places where pistachios haven't been sold before, says Seguin. At the same time, from a retailer perspective, it's about looking at your store and the ideal location for your best "impulse" items — those that will drive the most growth and profit for the store. He emphasizes they are best positioned right up front, in the lobby, at the entrance of the produce department, and check out.

Stop & Shop's Connolly emphasizes a need for aggressive pricing from suppliers with the arrival of new crops, which would stir "some excitement" with promotions and displays. Furthermore, he says the industry must maintain the level of consumer demand that it gained in the fall of 2007. **pb**

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