Dear Daniel,

Many thanks for your input last week.

Please find relevant coverage below. This appeared both on the Foodnews website and that of The Public Ledger, which is the sister publication.

Kind Regards,

Julian

**Pecan price gaps narrow but market still bullish**

The price differential between pecan halves and pieces has narrowed but the spread remains quite strong, US and European industry sources have observed.

By Julian Gale

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Daniel Zedan of US company Nature’s Finest Foods recalled that historically the differential was no more than 20-30 cents per lb. “However, for a number of reasons, the spread got as high as USD2.00/lb about 18 months ago,” he told FOODNEWS. “As such, the shellers were losing money on every lb of pieces sold. As the over supply of pieces has dwindled, the spread has decreased.”

Zedan cautioned though that the differential is still around USD1.00/lb. He noted that prices have continued to firm on forecasts for a similar sized 2014 crop to that of 2013, and increasing consumption of pecans, particularly in the US. This rise in demand has been driven in part by the very high prices of almonds, walnuts and pistachios, Zedan said.

“While the price of halves has increased, the price of pieces has climbed considerably more,” he added.

Similarly, Bruce Caris, executive vice president of The Green Valley Pecan Company, remarked: “The piece market has firmed up nicely and that had to happen at some point because of the huge spread between halves and pieces. That gap is close to about USD1.00 per lb, so it’s certainly less than it has been over the past 18 months.”
Caris agreed that consumption had remained strong both domestically and on the export side. “China is on line with what it was last year at this time,” he said. However, the market overall was currently quiet due to the holiday season in Europe and the US. “So most of the sales recently have been shipments against contracts,” Caris explained.

Caris noted that pecan halves have held relatively level in price of late, showing only moderate gains of around 15 cents/lb on average.

Jean Van Cappellen of Belgian trader Caplenco International said it was very hard to track down any offers on pecan halves from the 2013 crop. In those instances where it had been possible price indications were close to USD6.00/lb fob US ports.

Based on this, new crop offers on halves could be slightly more than USD6.00/lb, he suggested.

Van Cappellen said he had not seen any offers on 2013 crop pieces of late but in late July there were some indications from the US at around USD4.50-5.00 lb delivered.

He added that Caplenco International is expecting prices of pecan halves to hold at higher levels than a year ago, at least for the start of the new season (2014/15). “China is looking around so they are driving the price up,” he noted. However, it is too early to know what the trend will be by the time the new crop comes through. For the time being, no one seemed to be in a rush to sell, Van Cappellen said.

**Alleviating the burden**

Caris remarked that the earlier prices on pieces were unsustainable for shellers, meaning that they were losing money on their pieces sales and having to make that up on their sales of pecan halves. “What that does is puts an undue burden on the people who use the halves. I suspect we’re going to see that gap continue to close and hopefully when we get to new crop we’ll see a price differential of no more than 30-40 cents between halves and pieces,” he said.

Zedan added: “Assuming the US and Mexican crops come in as projected, I expect the differential to continue to decrease. However, I do not expect the differential to return to historical levels for at least another 12 to 18 months. Having said that, I do not expect prices to approach the record price levels of two years ago. Further, pecans will still be the best value for the dollar when compared with almonds, walnuts and pistachios.”

Zedan suggested that there should be plenty of pecans available to meet anticipated demand. “China will be purchasing more this year which will lead to shortages of mammoth and junior mammoth halves as well as extra-large and large pieces. Buyers currently using any of those sizes should consider changing to jumbo or extra-large halves and large medium or medium pieces. Not only will that improve product availability, it will reduce their costs,” he said.

Material from the new US crop is expected to become available from October with most export shipments under way from December or January.

Dutch edible nuts broker Global Trading & Agency viewed most current demand for US pecan nut kernels as coming from the US market for Thanksgiving and Christmas.

Global Trading also revealed that South Africa’s pecan crop is now expected to be in the range of 7,000-8,000 tonnes rather than the earlier expectations of comfortably exceeding 10,000 tonnes.

This change is partly down to illegal trade whereby stolen products are not reported and are exported illegally out of the country, the company said.

The report added that the South African pecan industry must work out a plan to avoid this and to achieve a more accurate crop forecast to prevent misunderstanding and generating a false impression of the market.