

Lies, Damn Lies and Statistics- by Daniel J. Zedan, President, Nature's Finest Foods, Ltd., PO Box 17, Wayne, IL 60184; ph: 630-377-2628, fax: 630-377-3250, email: dzedan@aol.com; website: www.nffonline.com

Mark Twain once said that there are three kinds of lies; 'there are lies, damn lies and statistics.' Used by many but understood by few, no one can stay in business very long, or expect to be very successful, without good statistics. They are critical to every segment of the Pecan industry. Yet for years, our industry has enjoyed complaining about the veracity of the statistics available but has been either unable, or unwilling, to do what is necessary to improve them. As is well known, unlike other segments of the US nut industry which operate under some form of marketing order, and because pecans are grown in 16 southern states stretching from the Atlantic to the Pacific, the pecan industry has never been able to sustain a long term federal marketing order. Therefore, the only data available to the industry has had to come from the US Government – data that is relied upon to develop market prices, marketing strategy, promotional strategy, long range planning, research and development, planting priorities and much more. While we may be a small industry compared to other agricultural commodities or, for that matter, other nuts, the pecan industry now generates over \$1.75 billion of revenue annually. As such, incorrect Government data can have a dramatic negative impact on our industry.

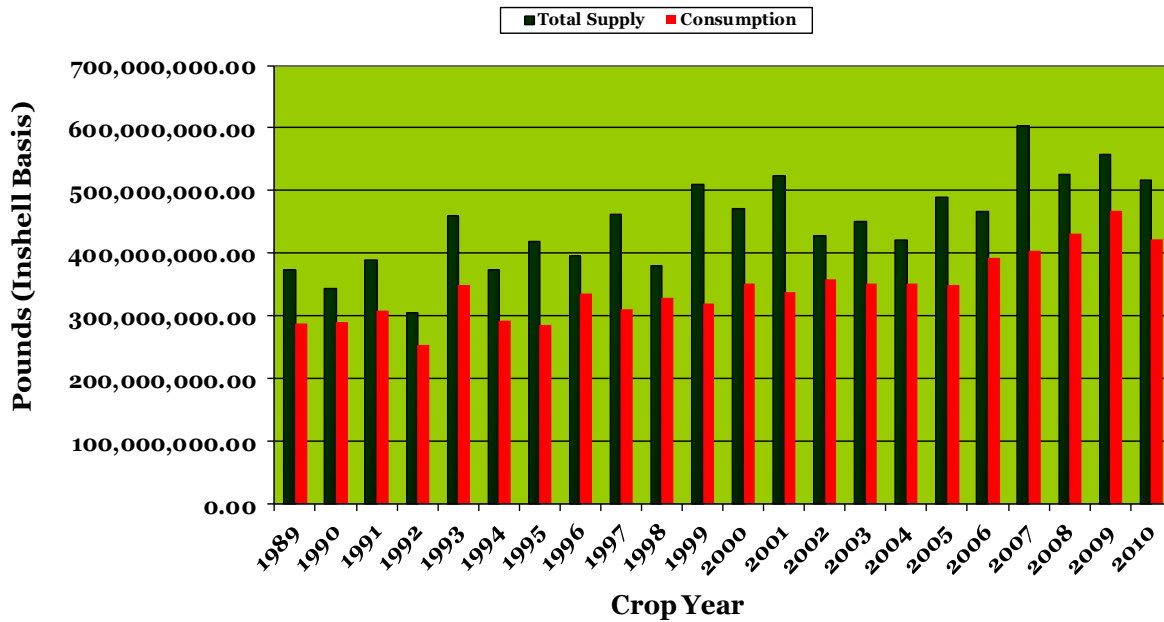
There are three primary sources of historical data available to the Pecan industry, most of which comes in one form or another from the US Department of Agriculture (USDA). The monthly cold storage reports and the annual production reports come from the USDA's National Agricultural Statistics Service (NASS). Pecan data submission to NASS is voluntary and is usually collected through various surveys sent out to Growers, Shellers, public cold storage warehouses, etc. Pecan data published by the USDA in the Federal State Market News, Agricultural Marketing Service, is collected through various State Departments of Agriculture and the US Customs service, and again, the bulk of the data is submitted voluntarily. Finally, there is the import and export data published by the USDA Foreign Agricultural Service (FAS). Pecan data published by FAS is actually generated by the US Census Bureau through industry surveys completed by importers and exporters.

So what does that have to do with the Pecan industry? In early September 2011, FAS published their 2011 (2010 Crop Year) annual summary of US import and export data. For those not familiar with the figures, everything appeared to indicate that even with historically high prices, the Pecan industry increased exports by over 20%* on an inshell basis. However, upon closer examination, it soon became apparent that the data contained significant errors. After a thorough investigation, FAS admitted that ALL of the 2011 published data was wrong. Corrections published on January 31, 2012, revealed that the average error resulted in an overstatement of imports and exports by over 85%. Further, the listed prices paid for both inshell and shelled pecans were approximately 45% below the actual prices paid. As a result, while the published data indicated that exports were up over 20% at a time when prices were at all-time historical highs, in actuality exports were down almost 28%. This error alone probably cost segments of our industry tens of millions of dollars. Some of the other errors contained in the published data include, but are not limited to the following:

Total Exports – 225 million pounds (inshell basis) reduced to 118 million pounds
Exports to China (CH/HK/VN) – 63 million pounds (inshell basis) reduced to 44 million pounds
Exports to Mexico – 51 million pounds (inshell basis) reduced to 28 million pounds
Imports from Mexico – 210 million pounds (inshell basis) reduced to 132 million pounds
Average Inshell Price paid by China - \$1.57/lb. increased to \$2.32/lb.

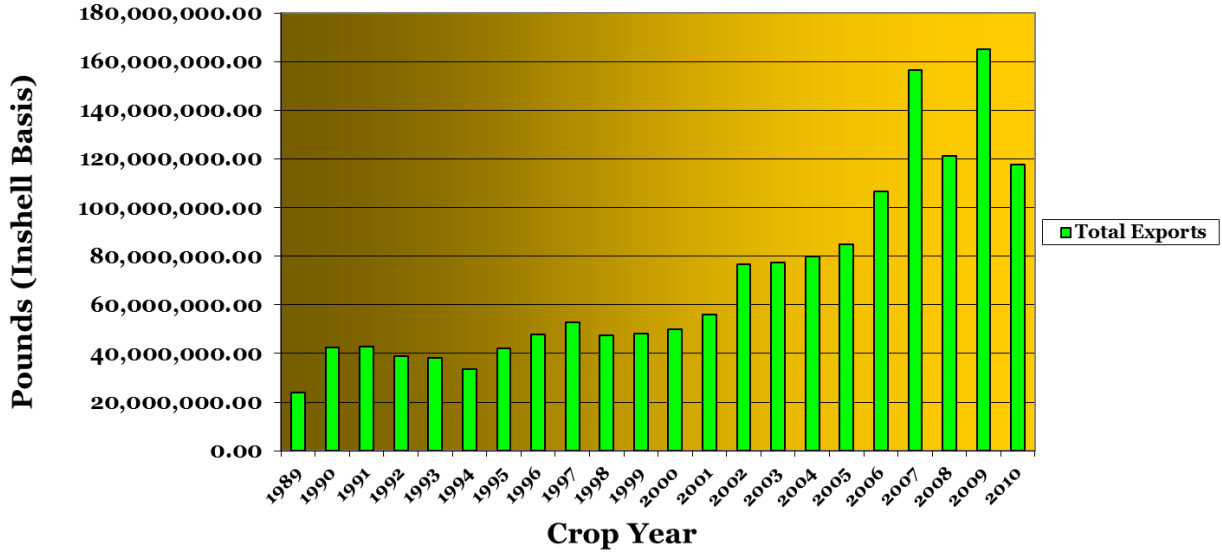
The following charts reflect the correct data.

TOTAL SUPPLY vs. CONSUMPTION

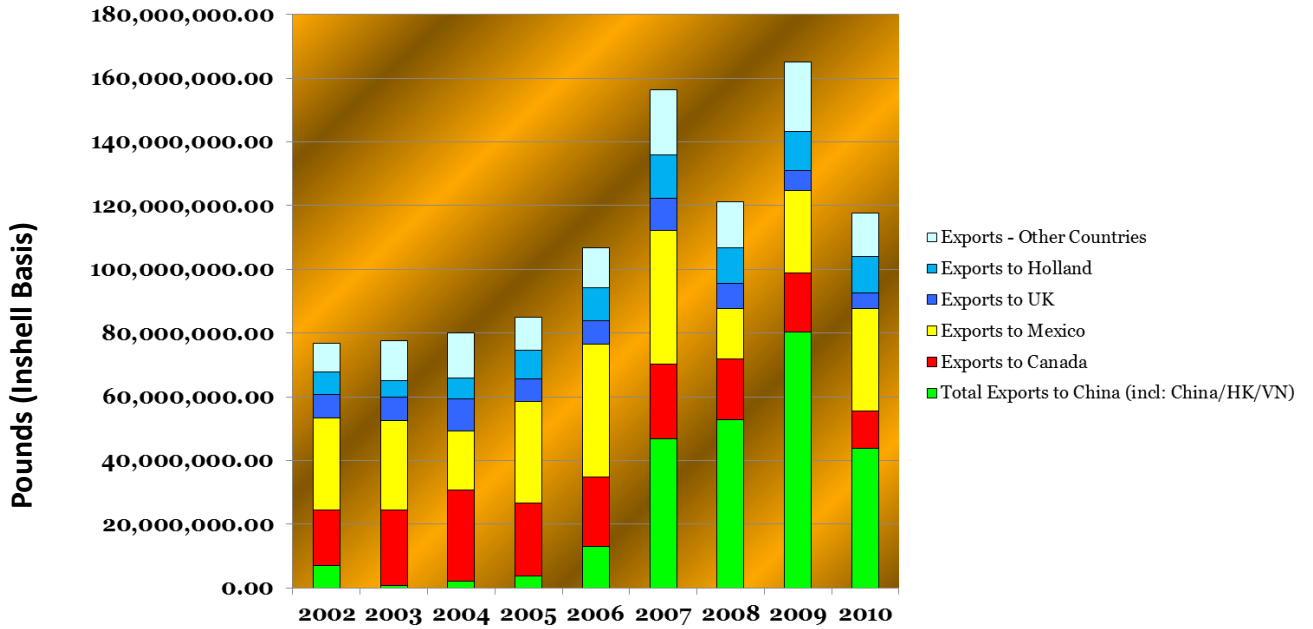


Source: USDA NASS and Foreign Ag Statistics (FAS)

TOTAL PECAN EXPORTS



BREAKDOWN OF EXPORTS BY COUNTRY



Data Source: Foreign Ag Statistics (FAS)

At the moment, FAS has only published corrections to seven of the major Pecan importing countries, and at this time, has no intention of asking the US Census Bureau to correct the rest of the data. As such, the information published on the FAS Global Agricultural Trade System (GATS) website is still wrong. For a user to be able to understand the data, the user is required to tabulate the monthly corrections for each of the seven countries, compile the data, and then, subtract it from the erroneous data on the website. There is an effort underway, spearheaded by the National Pecan Sheller's Association and supported by each of the Grower Organizations, to petition the US Census Bureau and FAS to correct all of the data, for every country, and then post the correct data on the FAS GATS website.

The Pecan industry faces a number of challenges; new food safety regulations, increased plantings in South Africa, Mexico and Latin America, increased competition for overseas markets, etc. Statistics should not be one of them. Because Pecans are no longer a North American nut, if our industry is going to be able to effectively compete in the global economy, it must change how it is doing business. Good data is only the beginning and statistics are only a tool. However, unlike our competition, we are trying to compete with poor or outright bad data with little or no money. Pecans were the only nut commodity impacted by the US Census Bureau errors. Why? Because the other major segments of the US nut industry operate under varying forms of a marketing order. Based on actual crop receipts, they are able to not only generate good solid data, but to raise substantial amounts of money for marketing, promotion and research. While the immediate focus needs to be a continued unified effort to force the USDA to clean up its act, the time has come for the industry to take a hard look as to how it expects to compete in the 21st century. Richard Bach is quoted as saying that 'the worst lies are the lies we tell ourselves.' It is time for the Pecan industry to finally admit that it cannot continue doing 'business as usual.' Not to do so would be the worst lie of all.

*Note: All of the statistical data presented in this paper has been expressed on an 'inshell' basis and will vary slightly depending on the meat to inshell conversion factor used.