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Pecan Buyers Shelled by Bad Data

By LIAM PLEVEN

Pecan broker Daniel Zedan spends his days in his Wayne, Ill., office matching buyers and sellers and meditating on the global market for nuts.

But late last summer he took on the role of sleuth—and unearthed a big mistake by the U.S. government.

Mr. Zedan was poring over government data on pecan exports, which he tracks to gauge global demand. But the numbers weren't matching up—exports suddenly looked much lower than previously reported.

Nuts for Pecans



Associated Press/Arizona Daily Star, Dean Knuth

Bruce Caris held pecans in the early stages of de-shelling at the Green Valley Pecan Company in Tucson, Ariz., in May 2011.

"I didn't believe it initially," said Mr. Zedan, whose company, Nature's Finest Foods Ltd., works with food companies, retailers and shellers that buy pecans, almonds and other nuts. When an assistant confirmed his math, he said he "knew there was a problem" and contacted federal officials.

Early this year the government made a disclosure that startled the industry: The Census Bureau had overstated the volume of pecans going to Hong Kong, the U.K., Mexico and other countries between August 2010 and September 2011.

But by the time the figures were corrected, Mr. Zedan and others in the industry believe, the faulty data had made the market for pecans even more nutty than usual. Prices were high in the early fall but then dropped sharply, he said, benefiting farmers in the eastern U.S., who harvest early, and hurting farmers further west.

The episode highlights the perils of relying on government data about commodities, which can be difficult to collect and subject to revision. Market participants have complained about problems with data on gasoline demand and corn production.

Nick Orsini, chief of the Census Bureau's foreign-trade division, said the pecan problem was caused by a computer malfunction that has since been fixed.

"These were internal processing errors" Mr. Orsini said. Since then, officials have been hand-checking pecan data as a precaution, he said. Officials declined to disclose who brought the problem to their attention but said it was a private company.



Daniel Zedan

Daniel Zedan, who heads Nature's Finest Foods Ltd, a nut broker and consultancy based in Wayne, Ill.

Pecan prices jumped as high as \$3.70 a pound in early fall, near a record, and have since fallen to about \$2.20, according to Mr. Zedan.

Some buyers were left ruing ill-timed purchases.

One of Mr. Zedan's clients, George Martin, co-owner of Navarro Pecan Co., a processing company in Corsicana, Texas, said he ordered about 440,000 pounds of pecans when prices were near the peak, because government data indicated supplies were getting tighter. By the time the nuts were delivered, prices had fallen so far that the loads were worth \$165,000 less than when he bought them, he estimates.

"The numbers they gave showed the supply was a lot less than it actually was," Mr. Martin said. "Those numbers should be absolutely as close to perfect as you can get."

The National Pecan Shellers Association sent a letter this week to federal officials complaining about the faulty data. The letter says the industry relies on government data, and when it is wrong, "it has a dramatic negative impact on our markets," according to a copy reviewed by The Wall Street Journal. Vickie Mabry, the group's executive director, said the association hasn't discussed seeking compensation from the government.

In a statement, a Census official said the bureau had posted specific corrections on its website and would amend aggregated data in June as part of its annual revisions.

The pecan market is tiny compared with the trade in corn or crude oil. U.S. production in 2011 was worth about \$683 million, according to the U.S. Department of Agriculture. And pecans place third behind almonds and walnuts in the ranks of most-popular tree nut, based on per capita consumption.

But pecans have been lucrative for U.S. farmers in recent years as Chinese buyers have developed a taste for the nut, buying as much as a quarter of the crop and driving up prices.

Overall, pecan prices increased from about \$1 a pound a decade ago to \$2.52 last year, according to USDA figures.

This year, prices have fallen about 15%, Mr. Zedan said. Pecans trade on a cash market, not futures exchanges.

Corrected figures for individual countries posted on a government website show that some of the changes were large. For example, exports to Vietnam of in-shell pecans in July were reduced to 105,000 kilograms (231,000 pounds), less than a third of the initial total.

Market participants said it is hard to determine exactly how the bad data affected the market, as other factors also were driving prices. There was earlier-than-usual buying for the Lunar New Year celebrations, and a late harvest in western states may have sent some buyers to Mexico, according to market participants.

Randy Hudson, owner of Hudson Pecan Co. Inc. in Ocilla, Ga., said he thinks prices would have held up anyway. "The prices would have been good" because actual foreign buying was strong, he said.

For a while, Chinese buyers continued to snap up pecans, trying to get in well ahead of Lunar New Year, Mr. Zedan said. But they pulled out earlier than usual, and bought less than normal, and prices fell with weaker demand, he said. Farmers further west were left to charge relative peanuts when their crops came in during the U.S. winter.

"The growers in the Midwest and the West don't have any buyers," Mr. Zedan said. "The Chinese quit buying" because prices got too high, he said.

Mr. Zedan and Mr. Martin met in the U.S. Coast Guard, and Mr. Martin asked Mr. Zedan to start working with him. Later, Mr. Zedan branched out on his own.

"I happen to like pecans," Mr. Zedan says. Still, he says he's no zealot. "I do have ice cream in my freezer other than butter pecan."

Write to Liam Plevan at liam.pleven@wsj.com

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