

Star-Telegram

Texas has high demand but not enough pecans

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WEATHERFORD -- Danene Knox backed her tractor toward a pecan tree, embraced its trunk with a piece of equipment resembling the head of a mammoth monkey wrench, then manipulated the controls to shake the nuts off the branches.

But because of the state's vengeful drought, only half of the 120 trees at Savage Pecan Farm, which Knox manages, are bearing nuts this year.

The Parker County operation is far from alone. The Texas pecan crop, usually No. 2 in the nation, after Georgia, is estimated to be down 40 percent from last year, falling to 30 million pounds from 50 million, and dropping the state to third place.

Even an anticipated higher Georgia harvest won't make up for the shortfall here and in states such as New Mexico, Oklahoma, Louisiana and California, leading the U.S. Agriculture Department this month to predict an overall 14 percent decline for the national harvest. Demand, meanwhile, remains strong.

Short supply and hyperactive exports will mean high prices at supermarkets this season, industry officials warn.

Half of all exported pecans will go to a relatively new, but huge, market: China. It wants the nuts shipped by around Thanksgiving in time for the Lunar New Year celebration Jan. 23, said Dan Karski, a builder-turned-pecan export broker in Alpharetta, Ga.

The Chinese middle class pays \$10 to \$15 a pound for large, in-shell pecans, which are cracked and soaked in flavored brines, said Daniel Zedan, a Wayne, Ill.-based nut broker and analyst. He recently returned from China, where he represented Navarro Pecan Co. of Corsicana.

Pricey pecans

A recent check at a local store of a national supermarket chain found pecan halves -- likely last year's crop taken out of cold storage -- priced at \$6.99 for 12 ounces. That works out to \$9.32 a pound.

"That's cheap," Zedan said. "Junior mammoth pecan halves [the second-largest size] are now selling at \$7.50 a pound *wholesale*, up from \$6.75 in January and \$5.25 the year before."

He predicted that retail pecans will cost \$11 or \$12 a pound at the height of the season.

"Chinese traders and speculators are running the market up," he said. "After the Chinese pull out in November, I think wholesale prices will settle down to \$6.75, \$7.25."

Either directly or through American brokers, the Chinese have been cold-calling even small growers to obtain supplies for the Lunar New Year, which is falling two weeks earlier than in 2011, he said.

"Just had a call from a person who wanted 1,000 pounds to export to China," said Knox, a horse trainer-turned-farm-and-ranch manager. She expects to harvest about 2,000 pounds this year, compared with 6,000 in a good, pest-free year.

Unlike many U.S. growers, Knox insists that she's not interested in cashing in on the rich Chinese market.

"That's not why I am in the industry," said the 49-year-old Texas grower, her hands stained with pecan oil.

"I'm a different breed here," she told the *Star-Telegram*. "My mission is to make sure the people of Parker County get pecans at a reasonable rate. I'm very keen keeping it local. I stay competitive with Walmart, Sam's and grocery stores."

Knox said she checks out prices at the major retail chains, then sells her pecans, plain and candied, 5 cents or so cheaper per pound, even though her locally grown, fresh crop could fetch a premium.

China's appetite

While China's purchases dropped 22 percent last year due to high prices and a relatively limited supply, the increasingly affluent country has become a prime mover in the market, disrupting a veritable buying cartel of a dozen large U.S. shellers, who growers say had controlled prices for generations.

"We'd rather deal with a plentiful supply than a short supply -- and the Chinese are taking a lot, so it leaves much less for the domestic market," complained Austin Nixon, general manager of Corsicana's Navarro Pecan Co., a large sheller that produces processed nuts for food manufacturers. It's partially owned by the family behind Collin Street Bakery, the fruitcake producer.

China, Hong Kong and Vietnam, which transships U.S. pecans to the Chinese market, last year bought 80 million pounds -- 27 percent of the U.S. crop, compared with 1 percent in 2005. (By shipping to Vietnam, Chinese buyers can avoid taxes of more than 30 percent, Zedan said. They also buy pecans from Mexico, Australia and South Africa, which reportedly ships up to 85 percent of its 3 million-pound crop to China.)

Higher foreign demand has spurred acreage expansion from South Africa to Peru, Zedan said.

And Texas.

In Charlie, near Wichita Falls, the Montz family is adding 70 acres to its 30-year-old operation, Jake Montz said. Last year, Montz Pecan Co. sent 15 shipping containers to China, each with 45,000 pounds of nuts.

"With the Chinese, demand has been unbelievable and the prices have gone through the roof," Montz said. "They're driving the market."

Zedan discounts the chance that the Chinese will propagate enough of their own pecans to threaten U.S. exports at least in the next decade. Authorities there are unwilling to allocate fertile, flat land for pecans, preferring to have the trees planted on hillsides, where mechanized equipment can't operate easily.

Meanwhile, the sky-high prices are hurting the big American shellers, who process, store and distribute nuts, while pleasing U.S. growers, the pecan broker said.

But the ever-costlier nut is running into U.S. consumer resistance.

Americans bought 70 percent of the pecan crop in 2005. Last year that plummeted to 48 percent, with some households buying fewer pecans or switching to cheaper alternatives like walnuts. As a result, growers are concerned about the declining home market, Zedan said.

"The next three months -- November through January -- are critical," said Bruce Caris, marketing vice president of Green Valley Pecan Co., which considers itself the biggest grower with 9,000 acres and among the top seven shellers. "This is where we'll see if domestic consumption drops when shoppers are paying as much as \$12 a pound" for pecan halves.

As for Knox in Parker County, she's just happy to have a harvest.

Last year she did not pick a single pecan because of various tree diseases. This drought-challenged year, thanks to some irrigation, she grew an estimated 2,000 pounds, down from a normal crop of 5,000 or 6,000 pounds.

"Just when you think you're safe, here come the crows," said Knox, who combats them with a propane cannon. A mountain lion took care of some pecan-stealing squirrels, she added.

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