



The Pecan Market: How Did We Get Here & Where Are We Headed?

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Assumptions



- ❖ USDA Crop Year: Oct 1 to Sept 30
 - ❖ Data directly relates to Crop Year (2011 data refers to the 2011 crop)
- ❖ FAS Crop Year: Aug 1 to July 31
 - ❖ FAS data relates to the year it is published and **not** the crop year (i.e. 2011 FAS data refers to the 2010 crop)
- ❖ Data on these slides correlate to crop year and not publication date

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‘Those who cannot remember the past are condemned to repeat it.’ (George Santayana-1905). In a 1948 speech to the House of Commons, Winston Churchill changed the quote slightly when he said (paraphrased), ‘Those who fail to learn from history are condemned to repeat it.’



- ❖ Pecan Market prior to 2007
- ❖ Pecan Market since 2007; China's entry into the market
- ❖ Current Market-How Did We Get Here?
- ❖ What lies ahead?

Pecan Industry Prior to 2007



- ❖ Growers had little choice as to where to sell their inshell. US Shellers were their only customers
- ❖ The bulk of both domestic and international pecan sales went through US Shellers
- ❖ Continued decline in the commercial market for inshell pecans
- ❖ Grower returns unpredictable and inconsistent
- ❖ Mexican shelling industry almost nonexistent with no direct entry into US Market
- ❖ Mexican Growers had few choices – Mexico or US
- ❖ Australia and South Africa were ‘non-factors.’

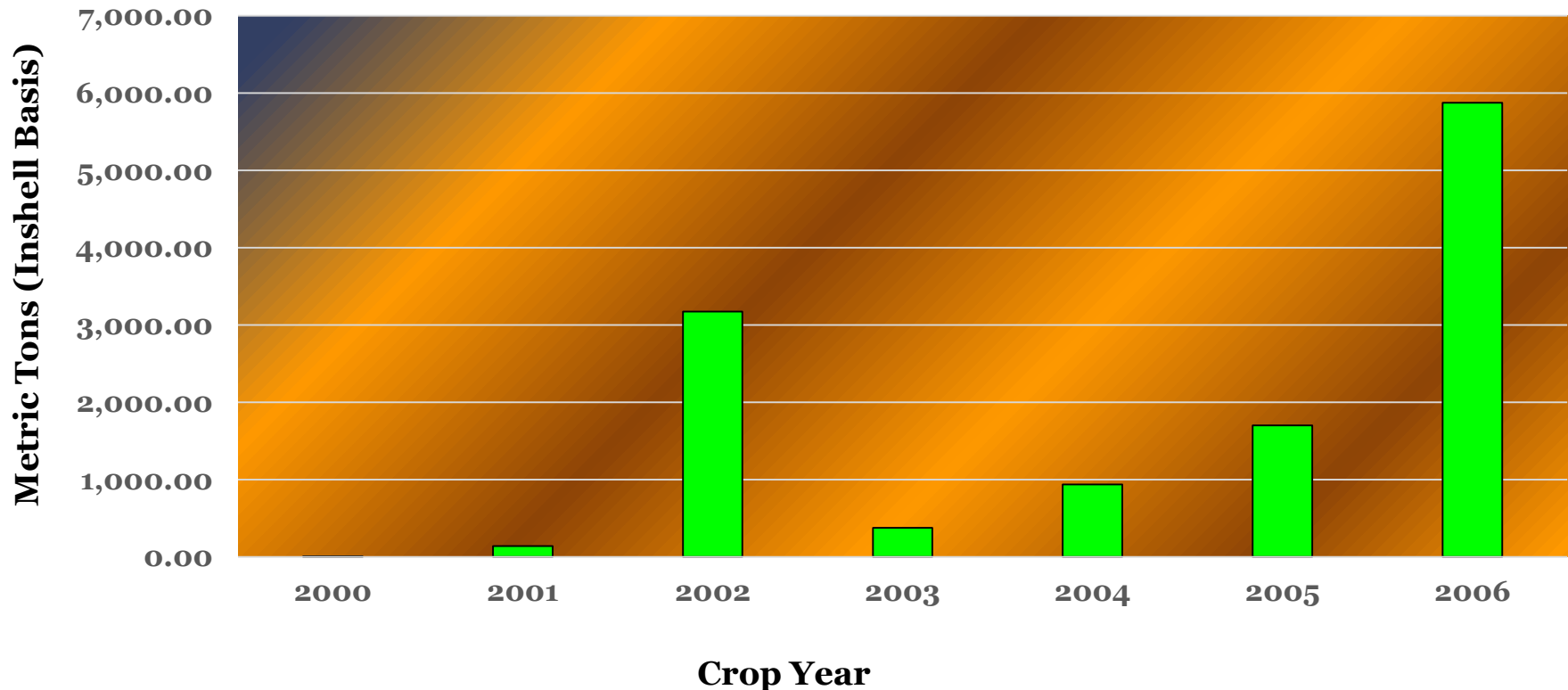
Exports to China Prior to 2007

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Total Exports to China (incl: China/HK/VN)



Source: Foreign Ag Statistics Service

What Changed in 2007?



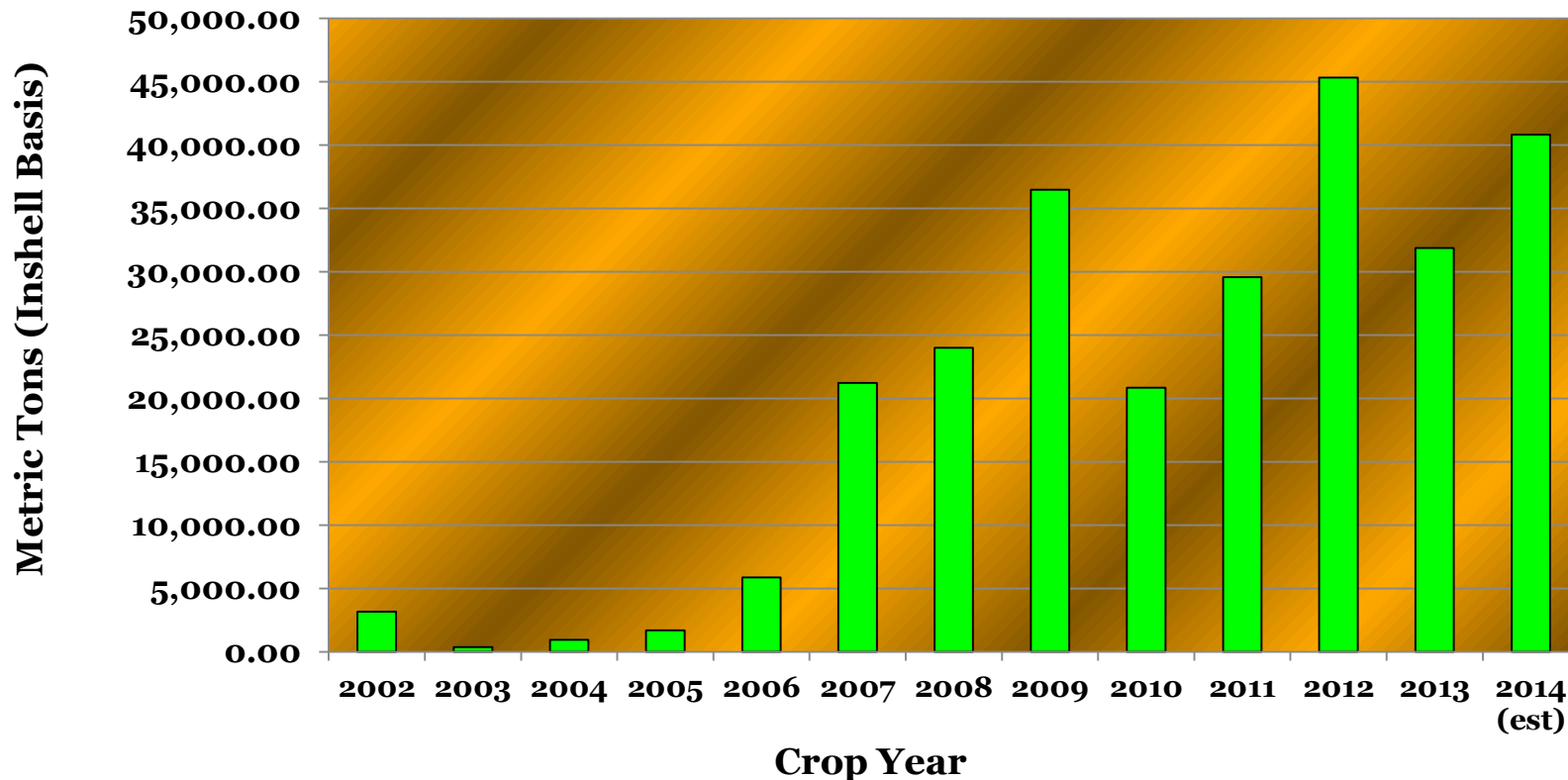
- ❖ Two years of stable pecan prices with a near record 2007 crop.
- ❖ Prices fall dramatically
- ❖ Walnut Prices hit record highs
- ❖ Inshell supply chain to China changes
- ❖ Value of the US Dollar
- ❖ Potential for small 2008/2009 crop

Exports to China

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Source: Foreign Ag Statistics Service

Impact of China



- ❖ Returns to Growers increase dramatically leading to greater investment in existing and new orchards
- ❖ US Shellers no longer dictate inshell prices
- ❖ Mexican Pecan Growers and Shellers become increasingly more independent
- ❖ Significant new plantings outside of North America
- ❖ Significant shift in worldwide consumption adversely impacts US domestic market
- ❖ Uncontrolled escalation of inshell prices leads to record 2011 prices and subsequent market crash

2014 Crop- How Did We Get Here?



- ❖ Heavy Spring Rains in the Southeast
- ❖ Late Spring Freeze in the Southwest
- ❖ High Prices of Competing Nuts (Especially Walnuts)
- ❖ Disparity in Pricing of Pecan Pieces and Halves
- ❖ Cheap Meats from Mexico
- ❖ Cheap Prior-Year Prices on Natives

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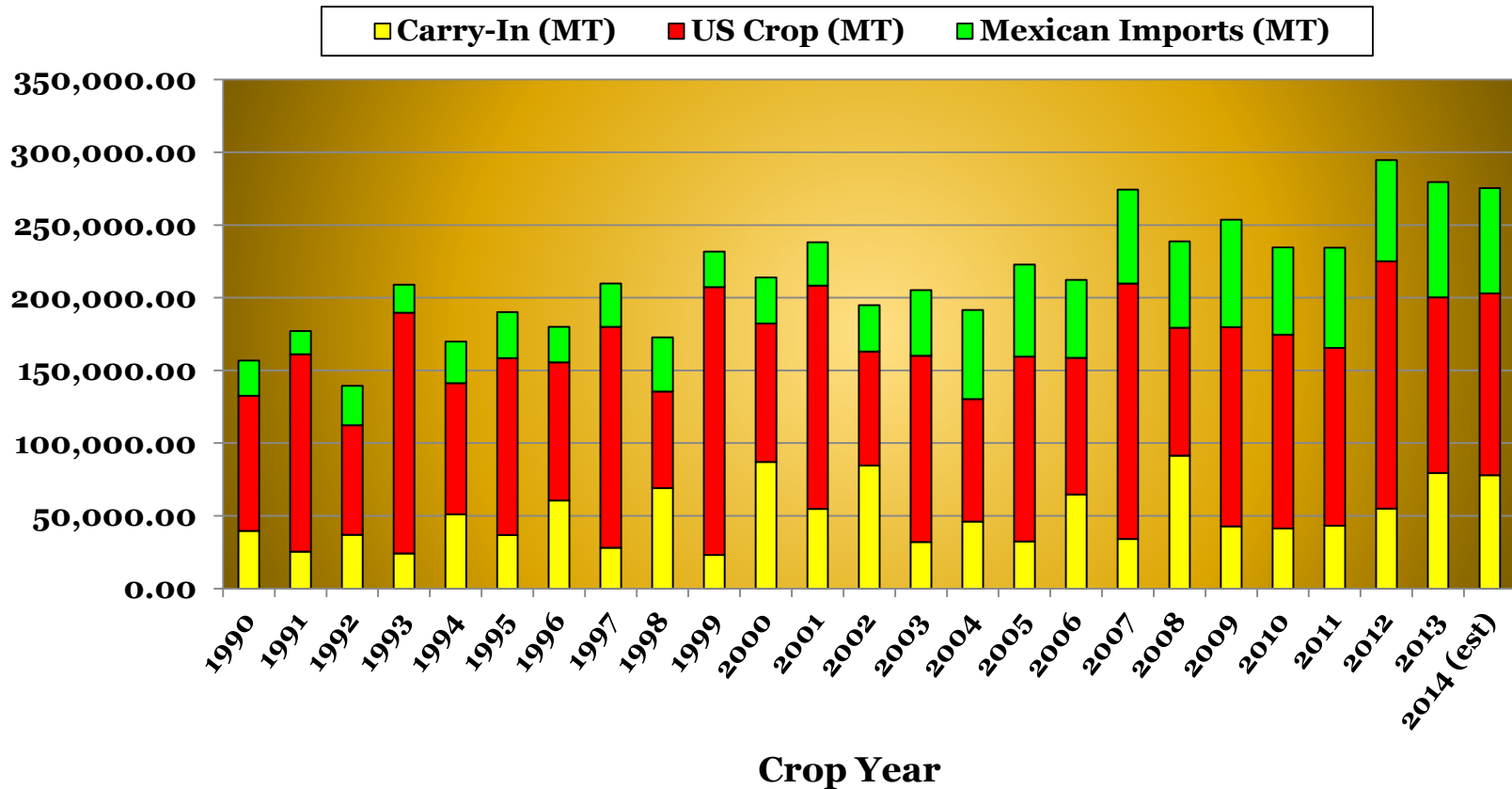
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A Current State of Affairs (US)

	2013	2014 (Est.)
Prior Year Carry-Out	79,381.02	77,849.04
US Crop	120,806.50	120,371.04
Mexican Imports to US	79,284.90	72,575.52
Total Supply	279,472.42	270,795.61
Carry-Out	77,849.04	49,442.07
Consumption	201,623.38	221,353.54

Note: Figures are expressed in metric tons, inshell basis, and do not take into account US Inshell sent to Mexico for shelling. Meats are converted using industry standard 44% yield. 2013 Data Source: USDA NASS & FAS

Domestic Supply (US)



Source: USDA National Ag Statistics Service and Foreign Ag Statistics.

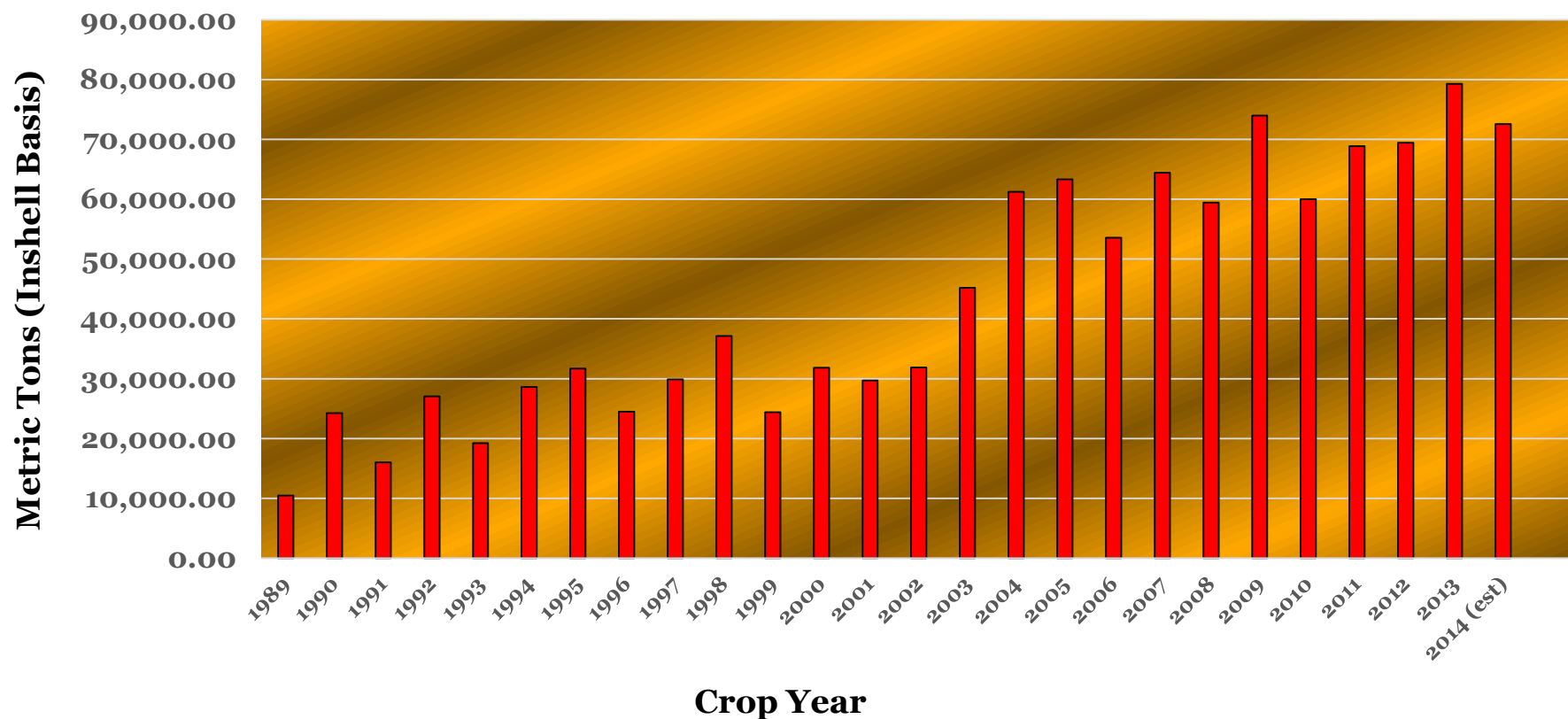
**Note: 2012 US Crop Figures are estimates as the USDA did not publish final crop figures

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Mexican Exports to US



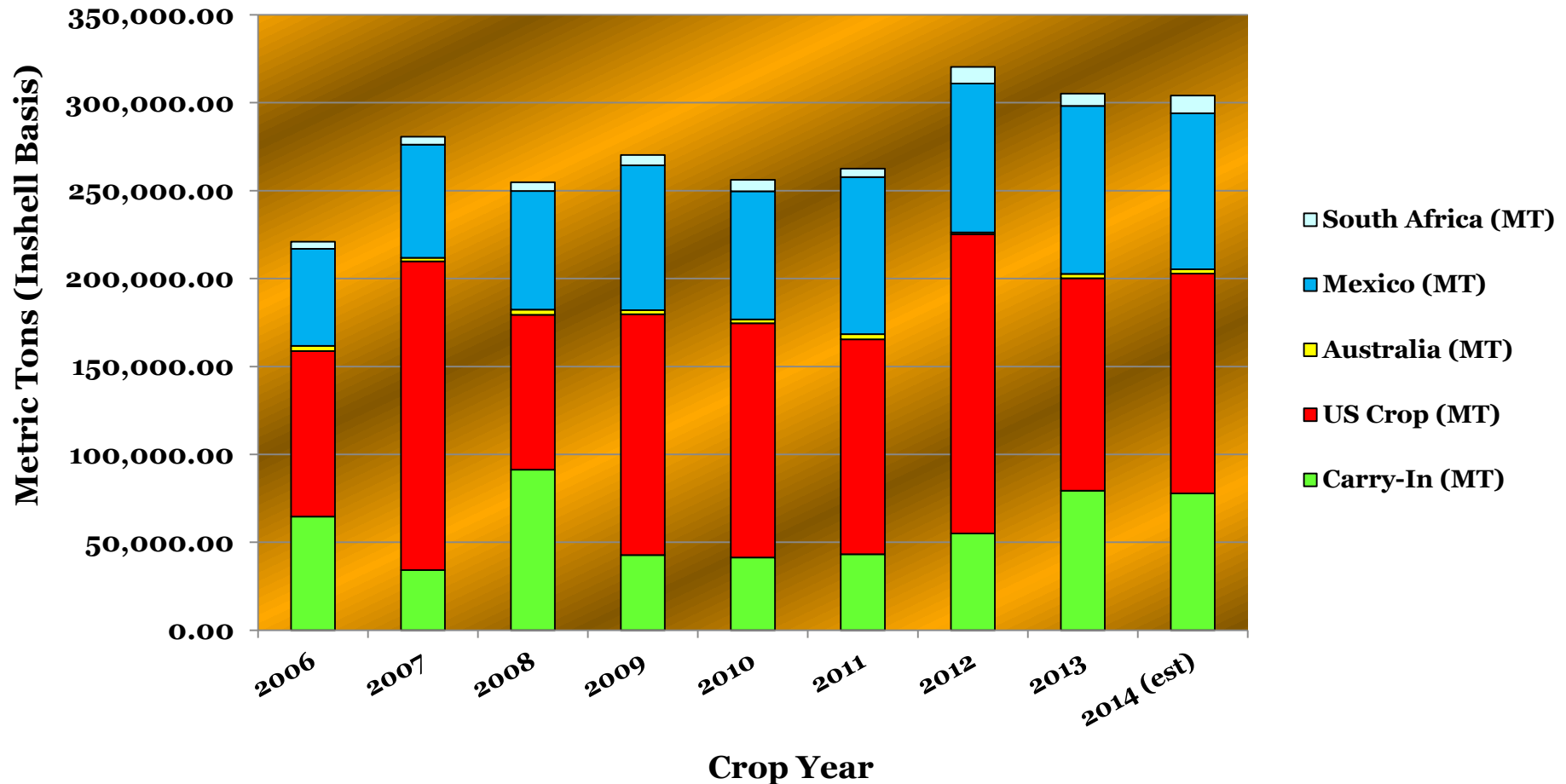
Source: Foreign Ag Statistics Service

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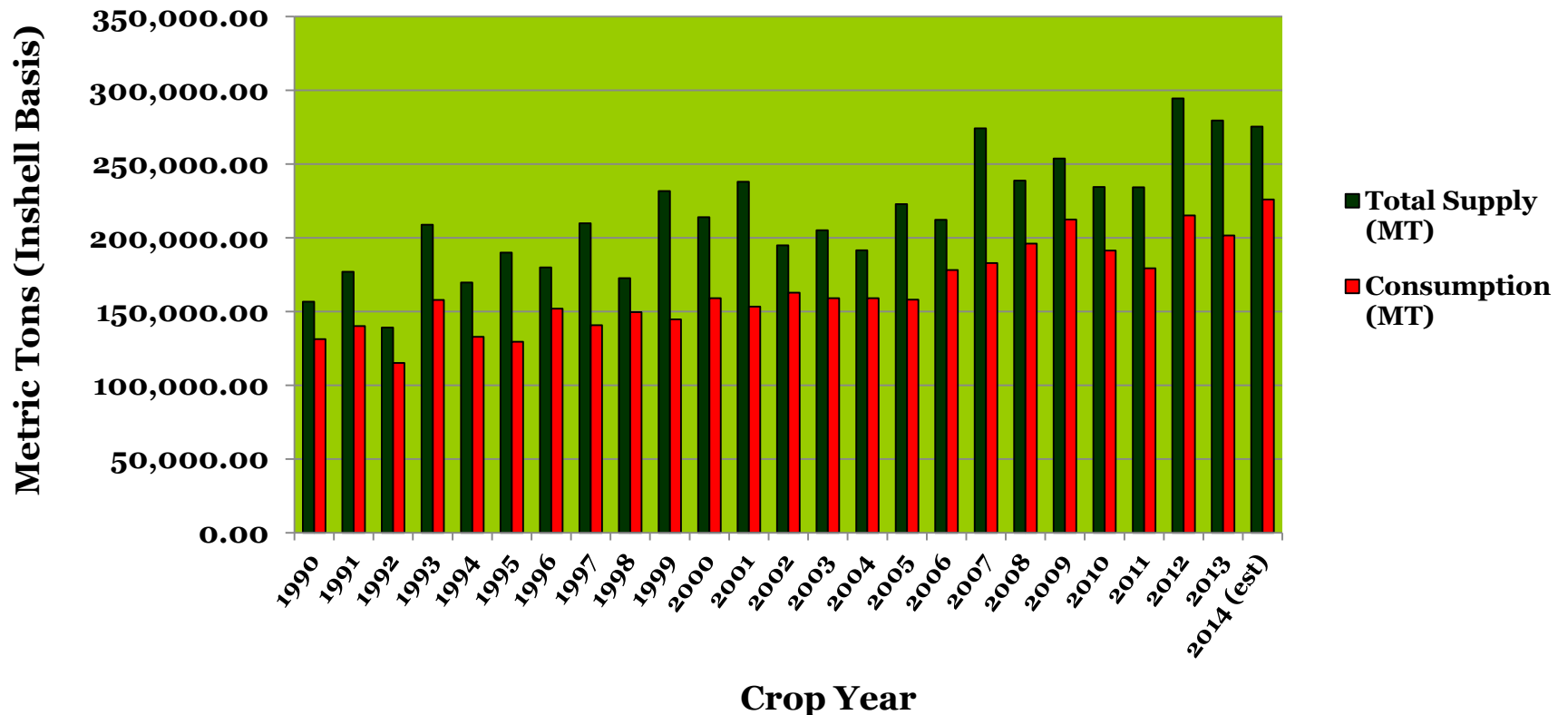


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World Supply



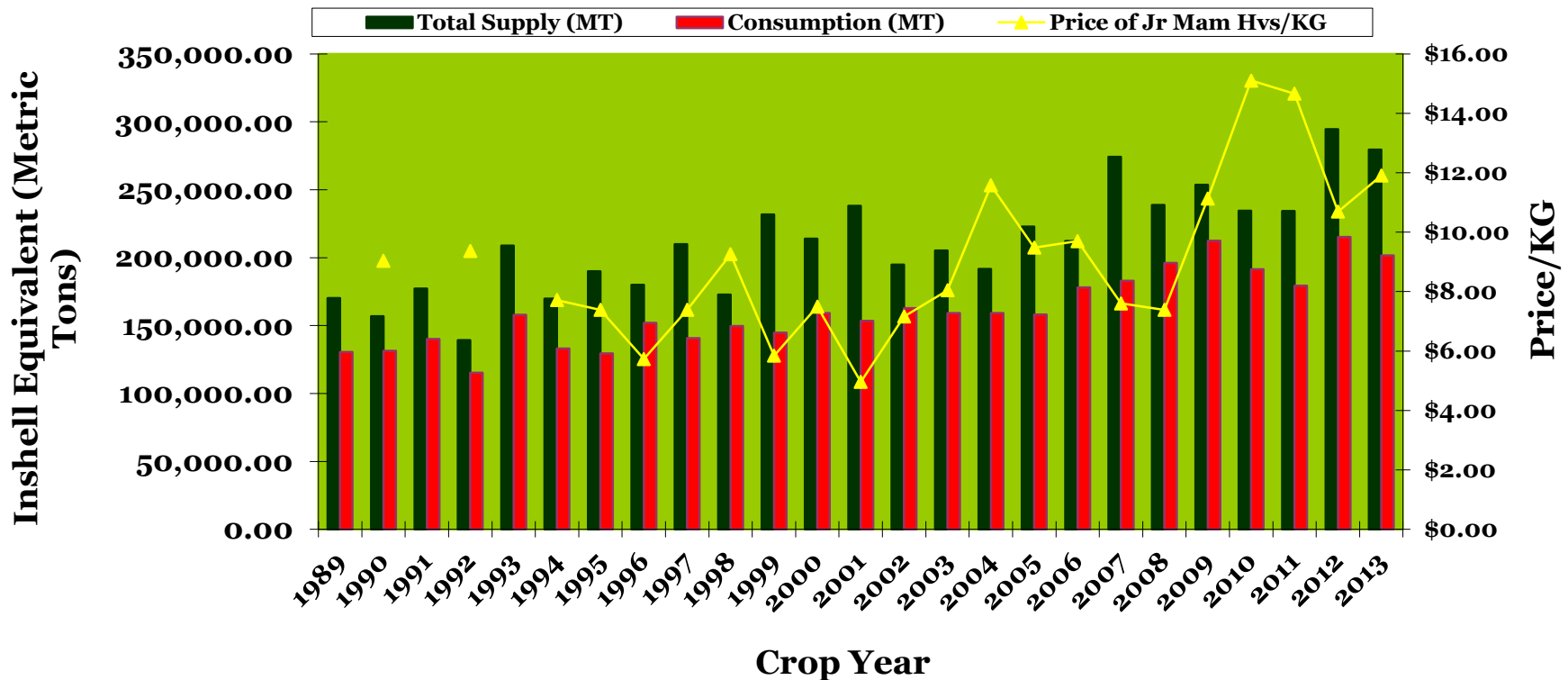
US Supply vs Demand



Source: USDA National Ag Statistics Service and Foreign Ag Statistics.

**Note: 2012 US Supply & Consumption Figures are estimates as the USDA did not publish final crop figures

US Consumption vs. US Supply vs. Price



Source: USDA National Ag Statistics Service, Foreign Ag Statistics & Nature's Finest Foods

**Note: 2012 US Consumption Figures are estimates as the USDA did not publish final crop figures.

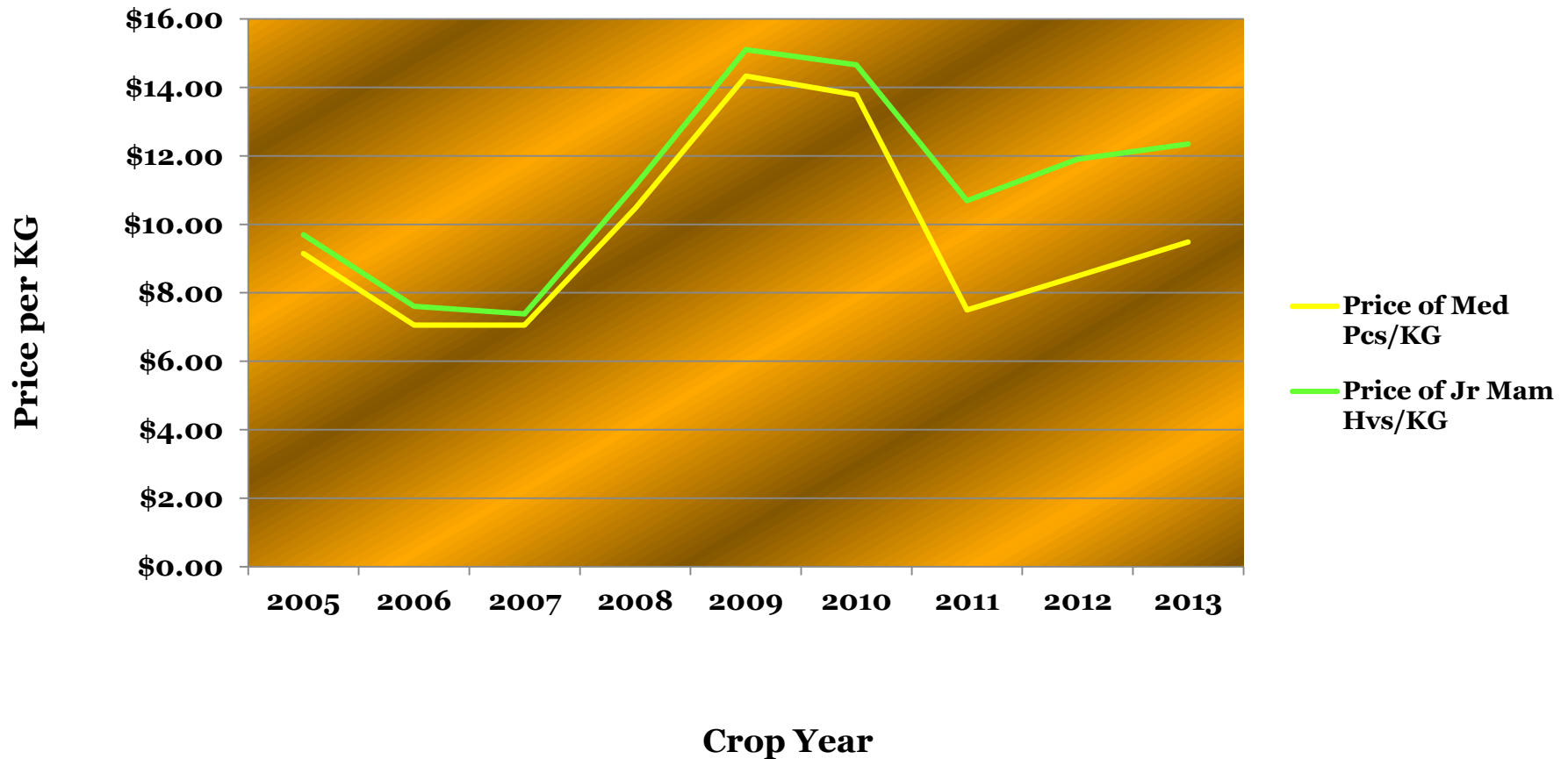
Prices are approximate January contract prices. (i.e. 2012 Crop prices are from Jan 2013 contracting)

Price of Jr Mammoth Halves vs. Price of Medium Pieces

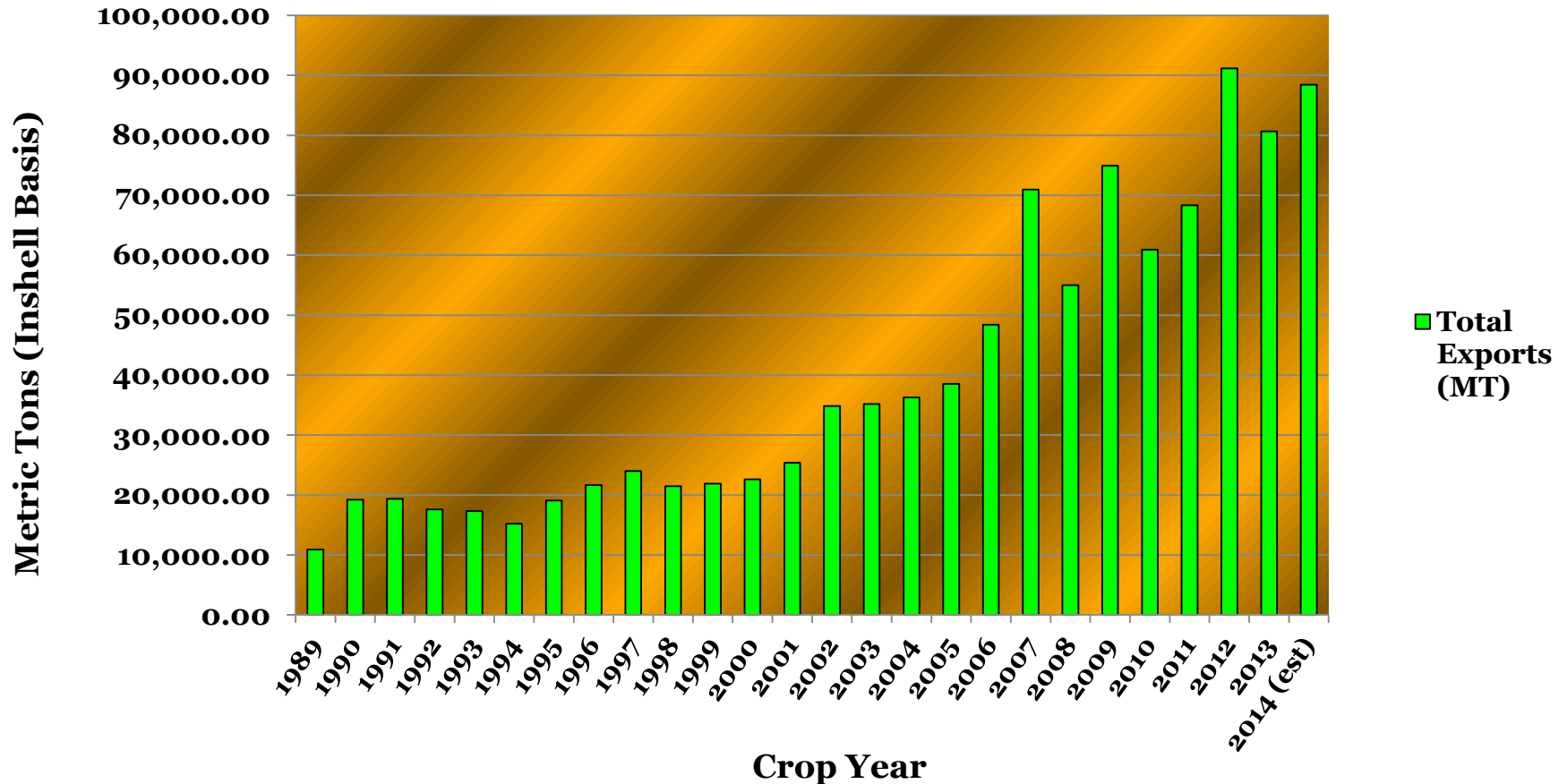
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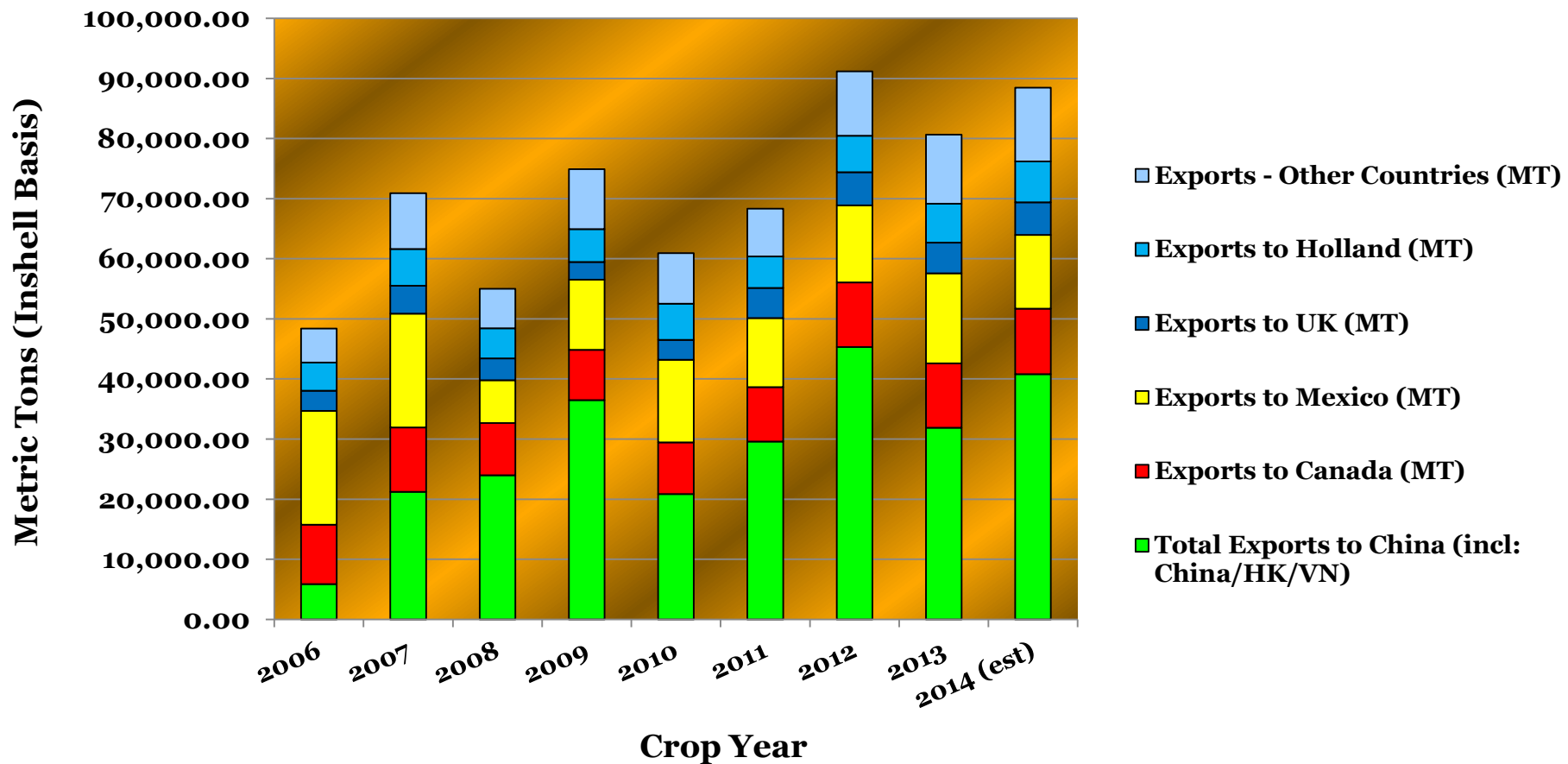


US Pecan Exports



Source: Foreign Ag Statistics Service

US Pecan exports by country



Source: Foreign Ag Statistics Service

2013 Crop Year - US Pecan Exports by Country



Country	2012 Crop Year	2013 Crop Year
China (China/HK/Vietnam)	45,313.28	31,868.49
Mexico	12,838.10	14,952.18
Canada	10,736.86	10,744.50
Holland	6,048.98	6,478.30
UK	5,529.83	5,130.02
Other Countries	10,684.69	11,490.58

Note: Exports are expressed in metric tons, inshell basis. Meats were converted assuming industry standard 44% yield.

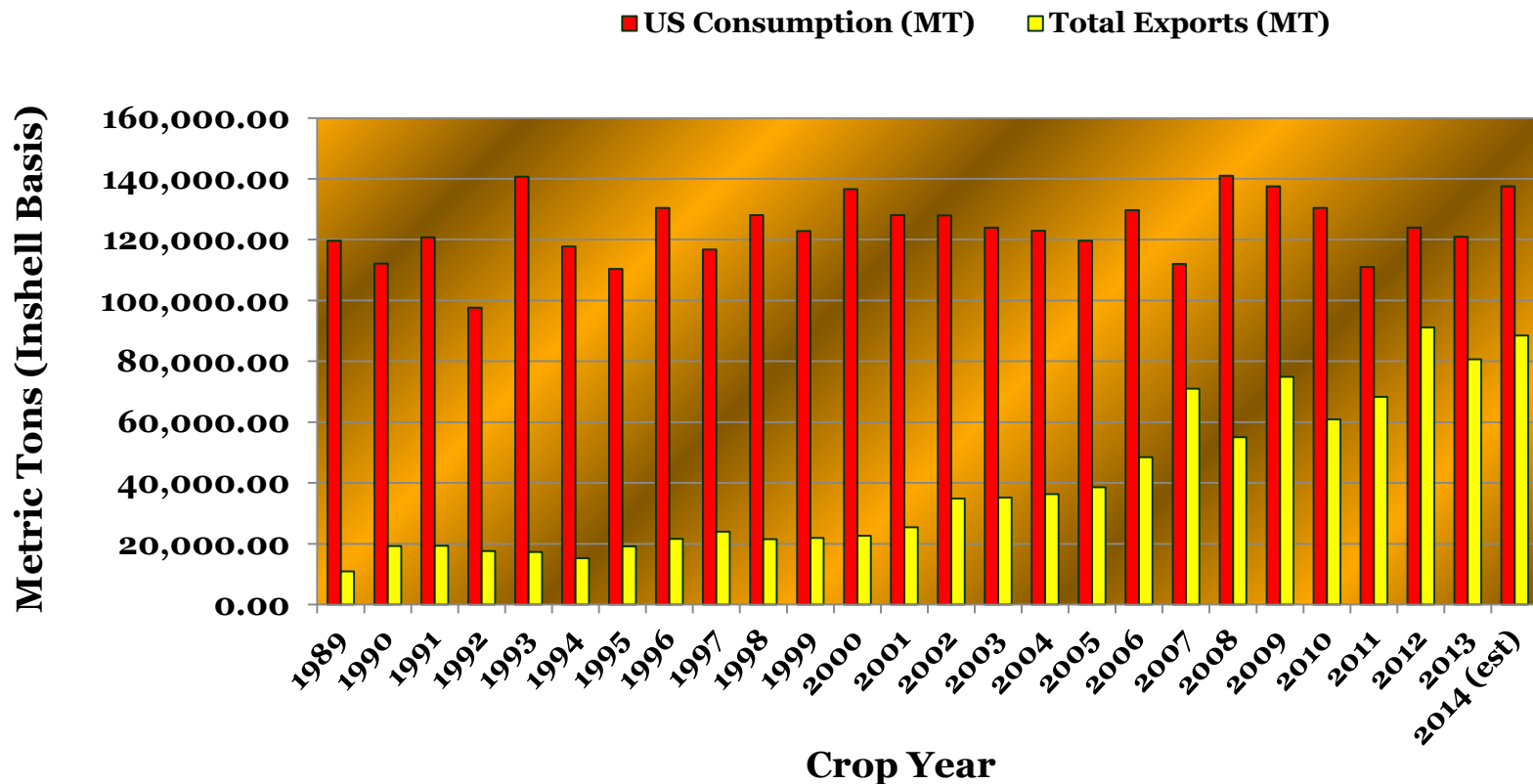
Where are we Headed?

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- ❖ Consumption is the key to increasing market size
- ❖ Must have sufficient supply to increase consumption
- ❖ While price is important, if there is not enough supply to handle demand, price becomes irrelevant

US Pecan Consumption vs. US Pecan Exports



Source: USDA National Ag Statistics Service and Foreign Ag Statistics

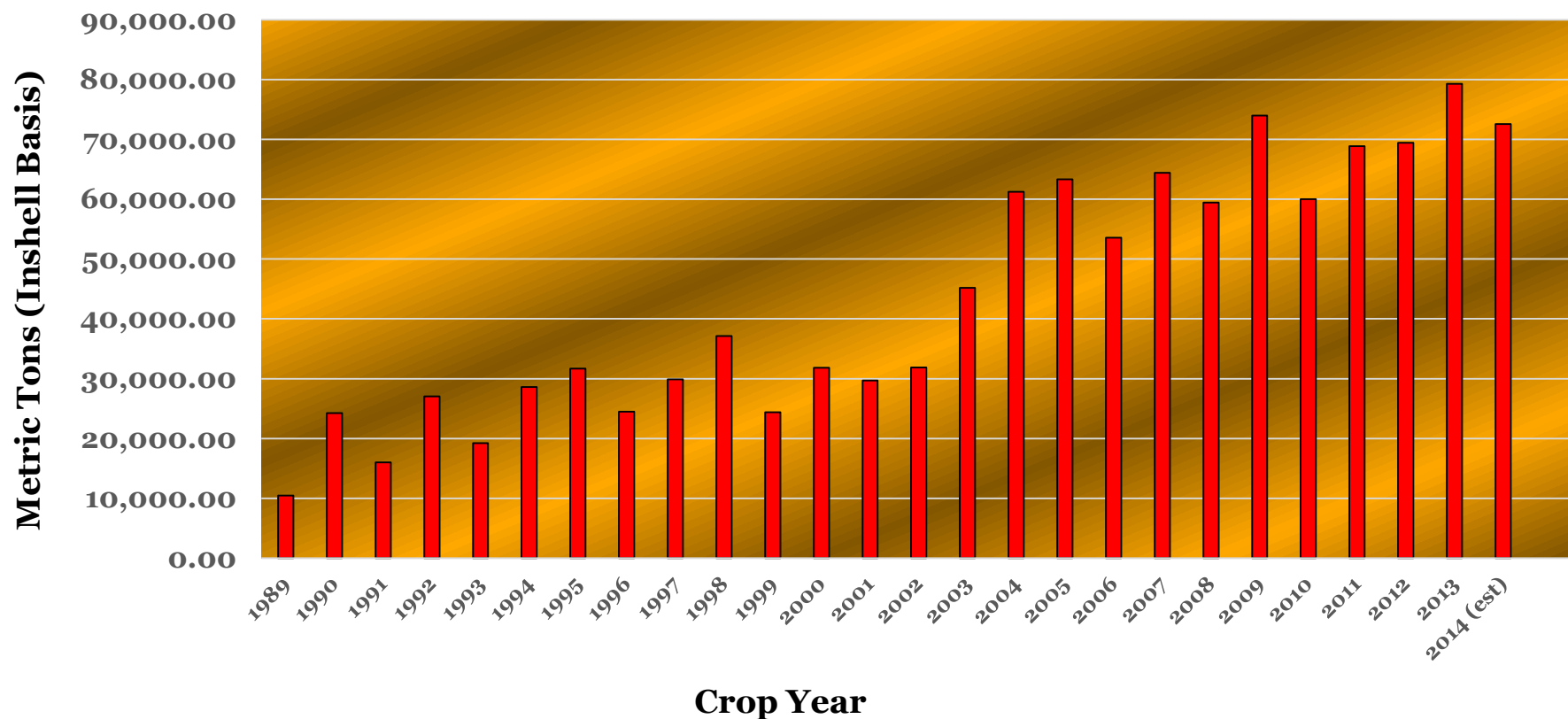
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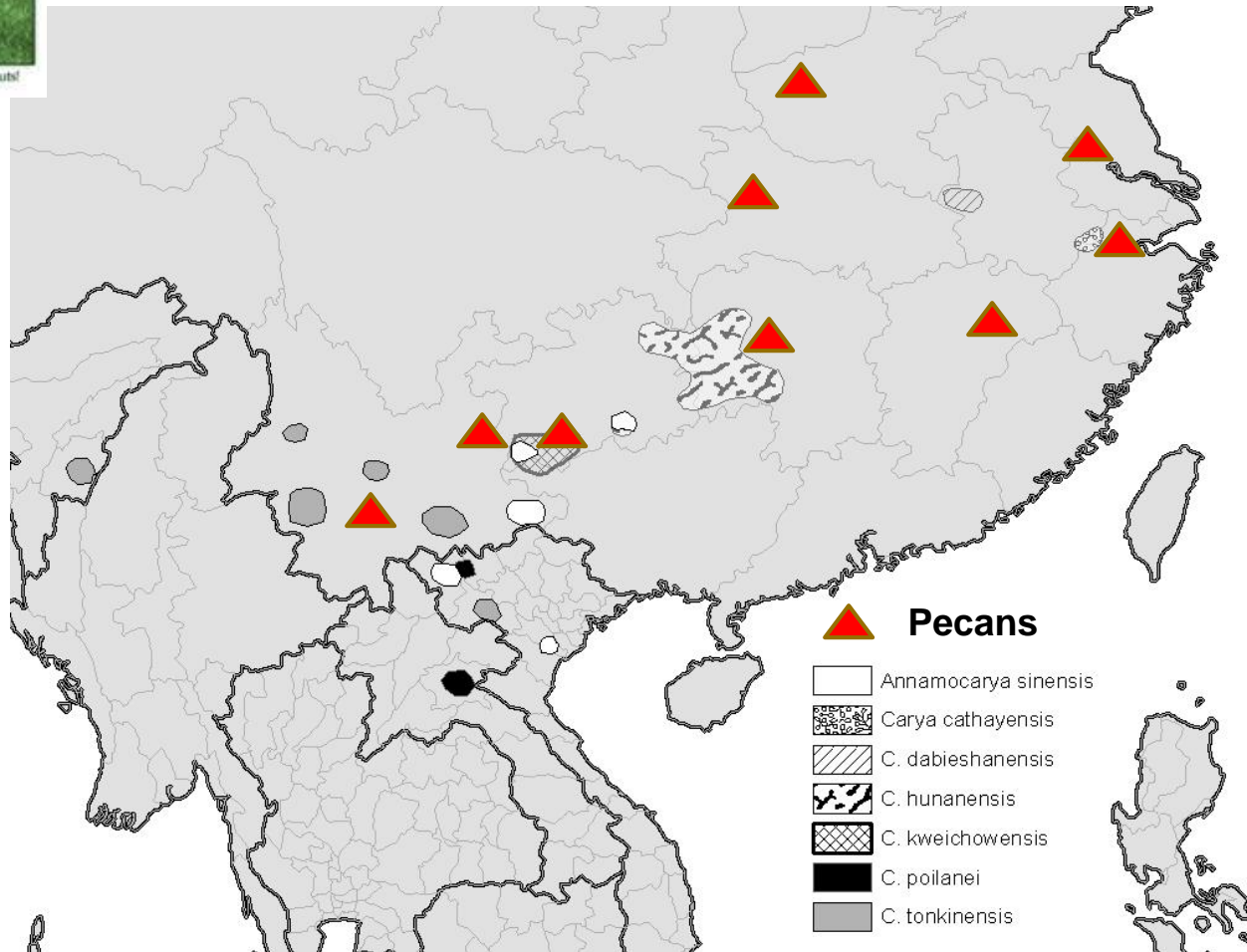
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Mexican Exports to US



Source: Foreign Ag Statistics Service

Pecan Growing Regions- China



Source: The Research Institute of Subtropical Forestry, Chinese Academy of Forestry

Chinese Plantings



- ❖ Approximately 12-15,000 hectares *
- ❖ Very good research program
- ❖ 80% planted on hillsides in very small orchards. Figure includes nurseries
- ❖ Poor varietal selection, grown in the wrong place.
- ❖ Poor orchard management

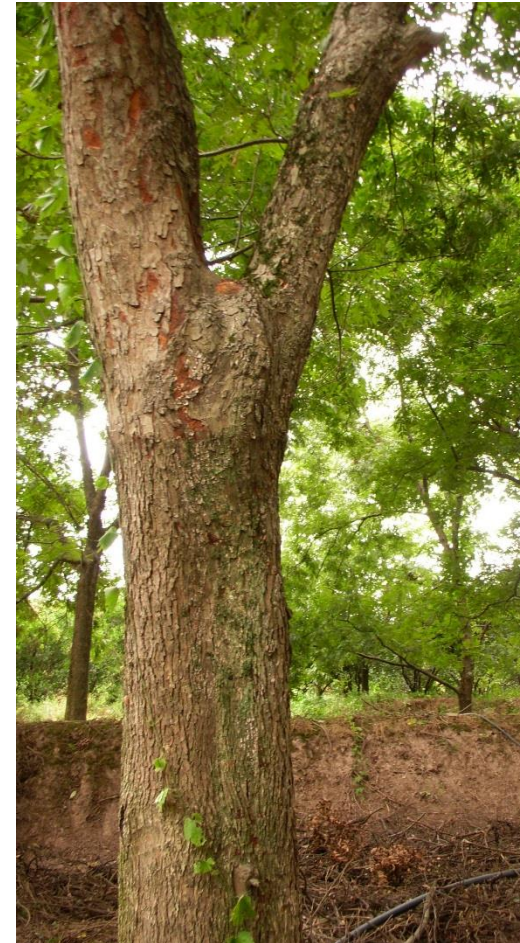
*Source: The Research Institute of Subtropical Forestry, Chinese Academy of Forestry

Chinese Orchards

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Young Orchard



Pest Problems

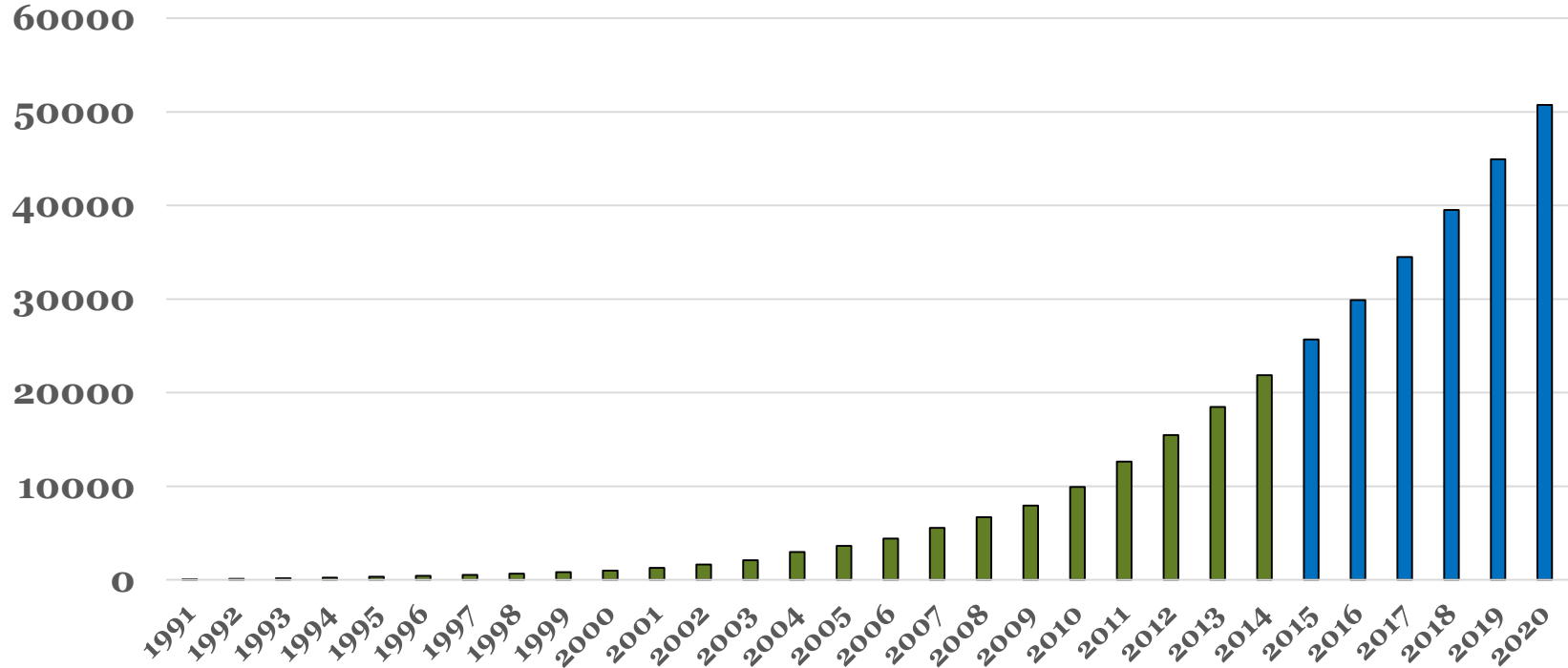
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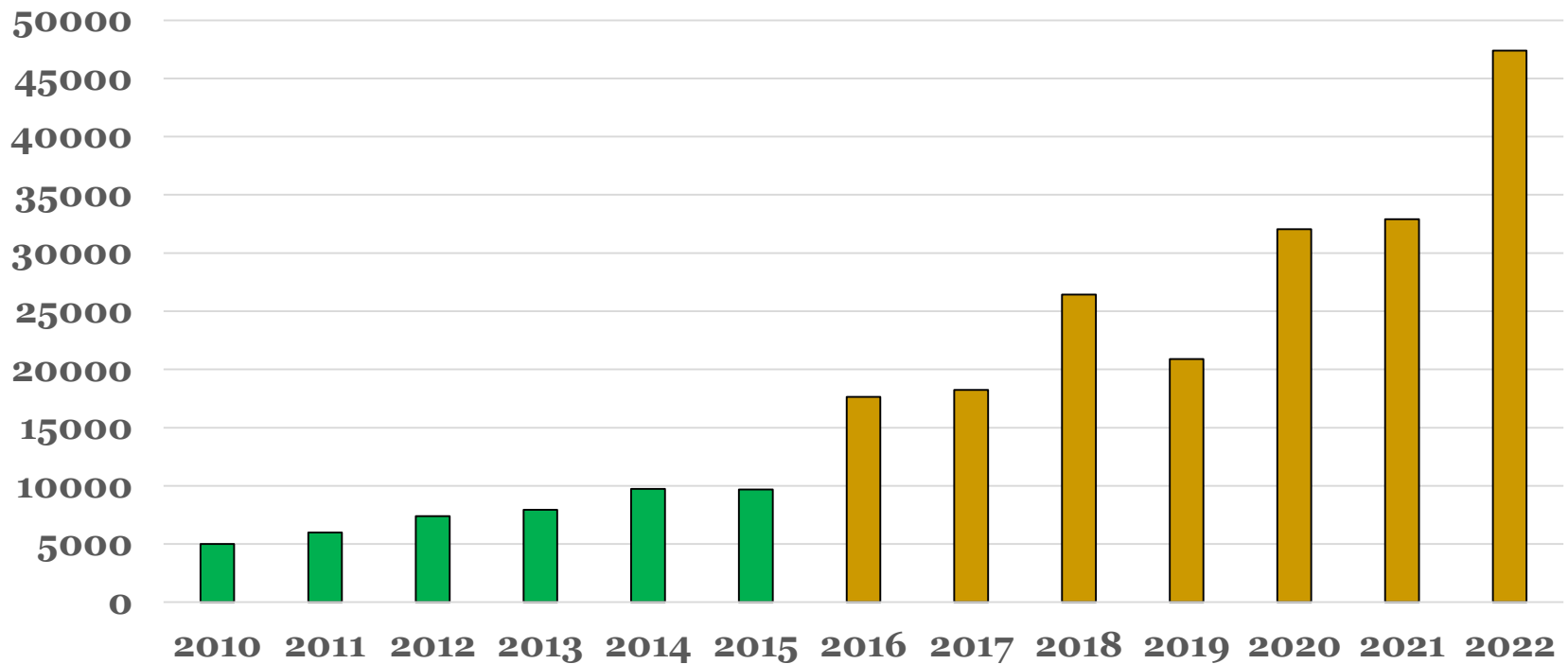


South Africa- Total Plantings (Hectares)



Source: Golden Peanut & Tree Nut

South Africa- Supply Projections (MT)



Source: Golden Peanut & Tree Nut

2014 World Production and 2033 Production Estimates



Location	2014 Acres	Yield Per Acre (KG)	2014 Total (MT)	2033 Total (MT)
United States	235,730	453.66	106,926.43	139,004.81
Mexico	150,000	453.66	68,039.55	88,451.41
South Africa	50,150	725.76	36,396.63	208,763.49
World Total			211,362.61	436,219.71

US 2033 estimate assumes 3% increase per year from 2014 forward. Mexico 2033 estimate assumes 4,500 acres planted each year from 2014 forward. South African 2033 estimate assumes 12,500 acres planted each year from 2014 forward.

Source: George Ray McEachern, Professor of Horticulture, Texas A&M University, College Station, TX March 2014

Note: This data was presented by Mr. McEachern in March 2014 based on 2014 crop estimates available at the time. The final 2014 crop figures were different. As such, this data is presented for illustration purposes only.

How Do We Handle Anticipated supply?



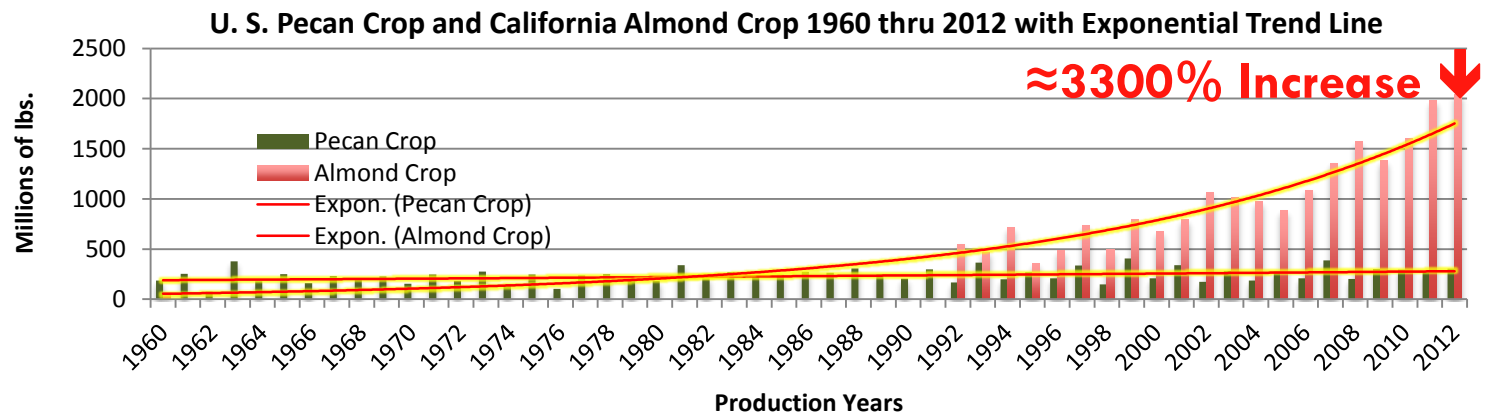
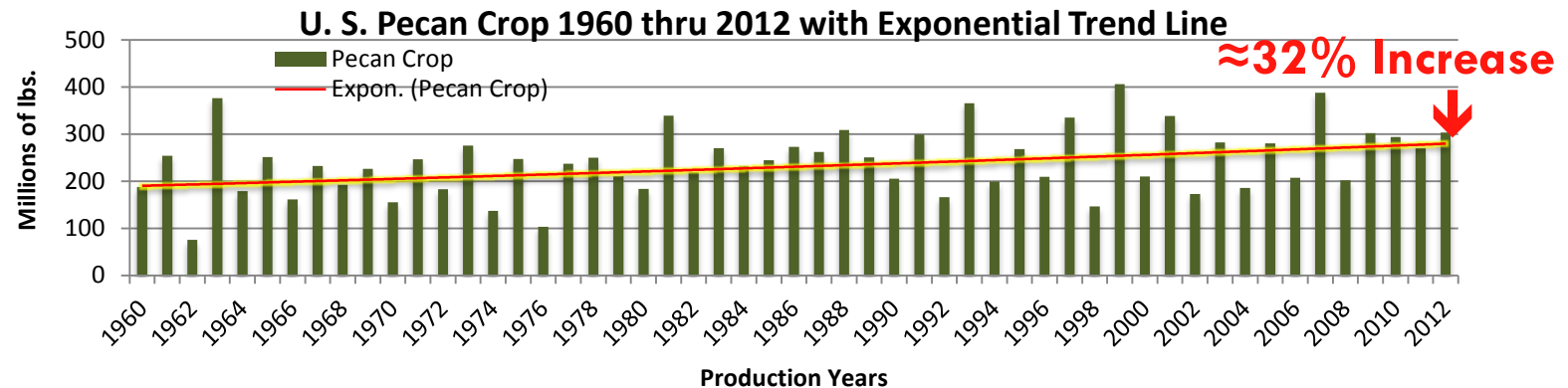
- ❖ Change mindset from 'selling' to 'marketing'
- ❖ Develop industrywide promotion plan
 - ❖ Must include a financing mechanism for marketing, promotion, research & development, standards development, statistical database, etc.
- ❖ Develop new markets, both domestically and internationally. Pecans are now a global commodity
- ❖ Establish working relationship with Department of Agriculture
- ❖ Work with major customers to develop new products

50 Year Crop History

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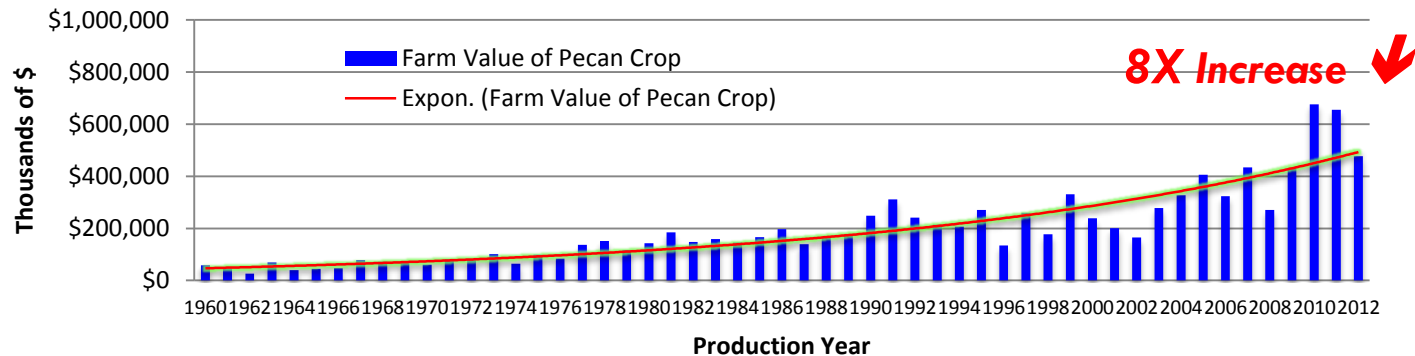


Sources: USDA, National Agricultural Statistics Service; 2012 Almond Almanac, Almond Board of California

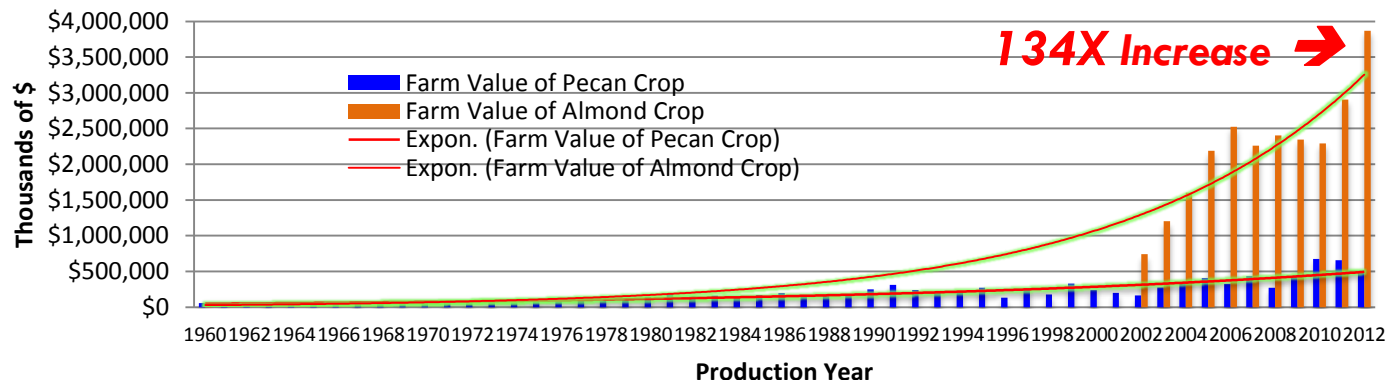


50 Year History-Farm Value

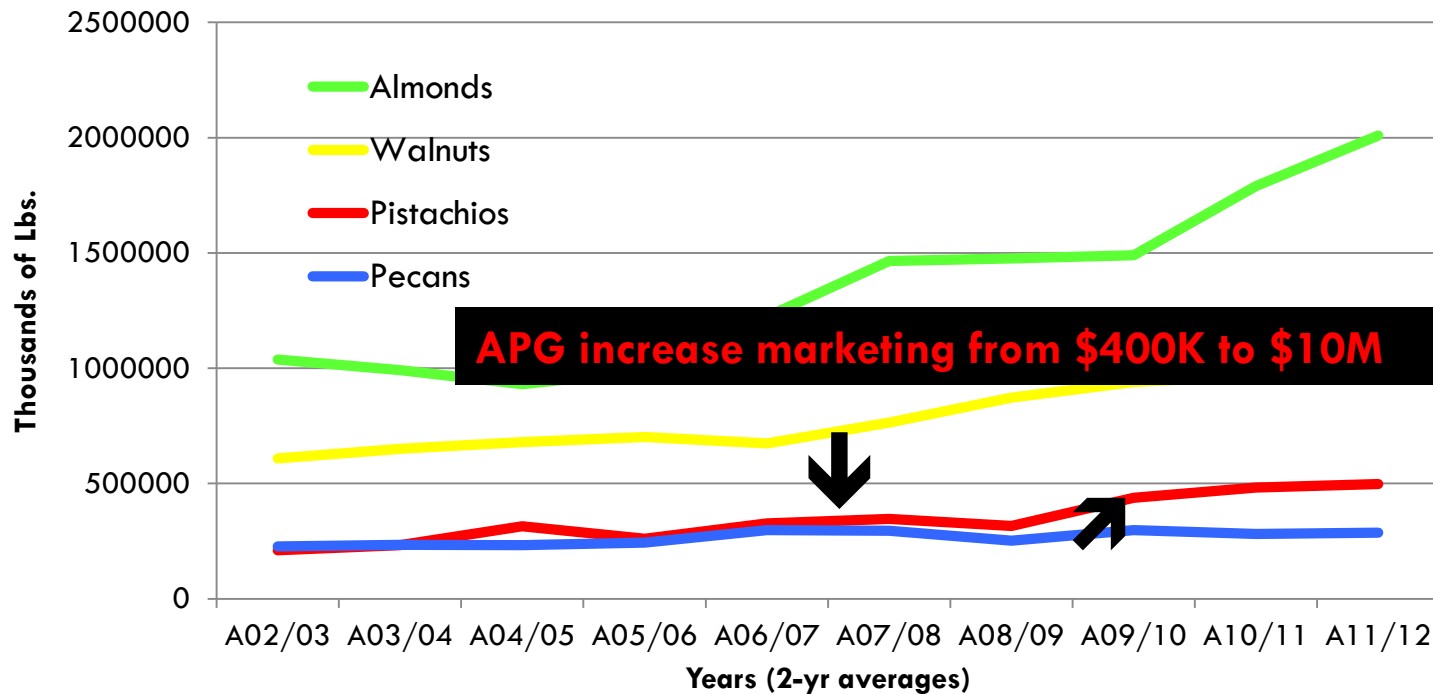
Farm Value of Pecan Crop 1960 thru 2012



Farm Value of Pecan and Almond Crops 1960 thru 2012



Comparison of US Tree Nut Supply-2002 thru 2012



Response to marketing campaign

Industry Happenings

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- ❖ Salmonella Prevalence Study
 - ❖ Completed 4 year study. Results-Levels on inshell pecans at or below levels of salmonella found on shelled almonds. Results submitted to FDA
- ❖ Tufts University Study
 - ❖ Study the impact of pecan consumption on heart disease in overweight people. Further document the high antioxidant levels in pecans & impact on other biomarkers of cardiovascular risk

Industry Happenings



- ❖ New Capital Infusion
 - ❖ National Pecan Co.
 - ❖ Purchase of Harrell Pecan by Golden Peanut/ADM
- ❖ Possible Industry Marketing Order
 - ❖ American Pecan Board established May 2013
 - ❖ 2014-Industry meetings held
 - ❖ Jan 2015-Meet with FDA to consider specifics
 - ❖ Summer/Fall 2015-Present proposed Marketing order to Industry
 - ❖ Early 2016-Industry vote on order
 - ❖ Fall 2016-Implement order

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Questions!!!

