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2014/2015 CROP OVERVIEW



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 for Australia and South Africa are based on calendar year associated with USDA Oct 1 crop year
- Data on these slides correlate to crop year and not publication date

2013/2014 US SUPPLY

	2013	2014
Prior Year Carry-Out	79,381.02	77,849.04
US Crop	120,806.50	119,817.65
Mexican Imports to US	79,284.90	91,698.70
Total Supply	279,472.42	289,365.40
Carry-Out	77,849.04	54,818.28
Consumption	201,623.38	234,547.12

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. Consumption figures do not include Australia, South Africa or Mexican product not shipped to the US

Data Source: USDA NASS & FAS

2015 US SUPPLY (ESTIMATE)

	2015
Prior Year Carry-Out	54,818.28
US Crop (USDA Oct estimate)	123,532.61
Mexican Imports to US (estimate)	81,647.46
Total Supply (estimate)	259,998.35

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.

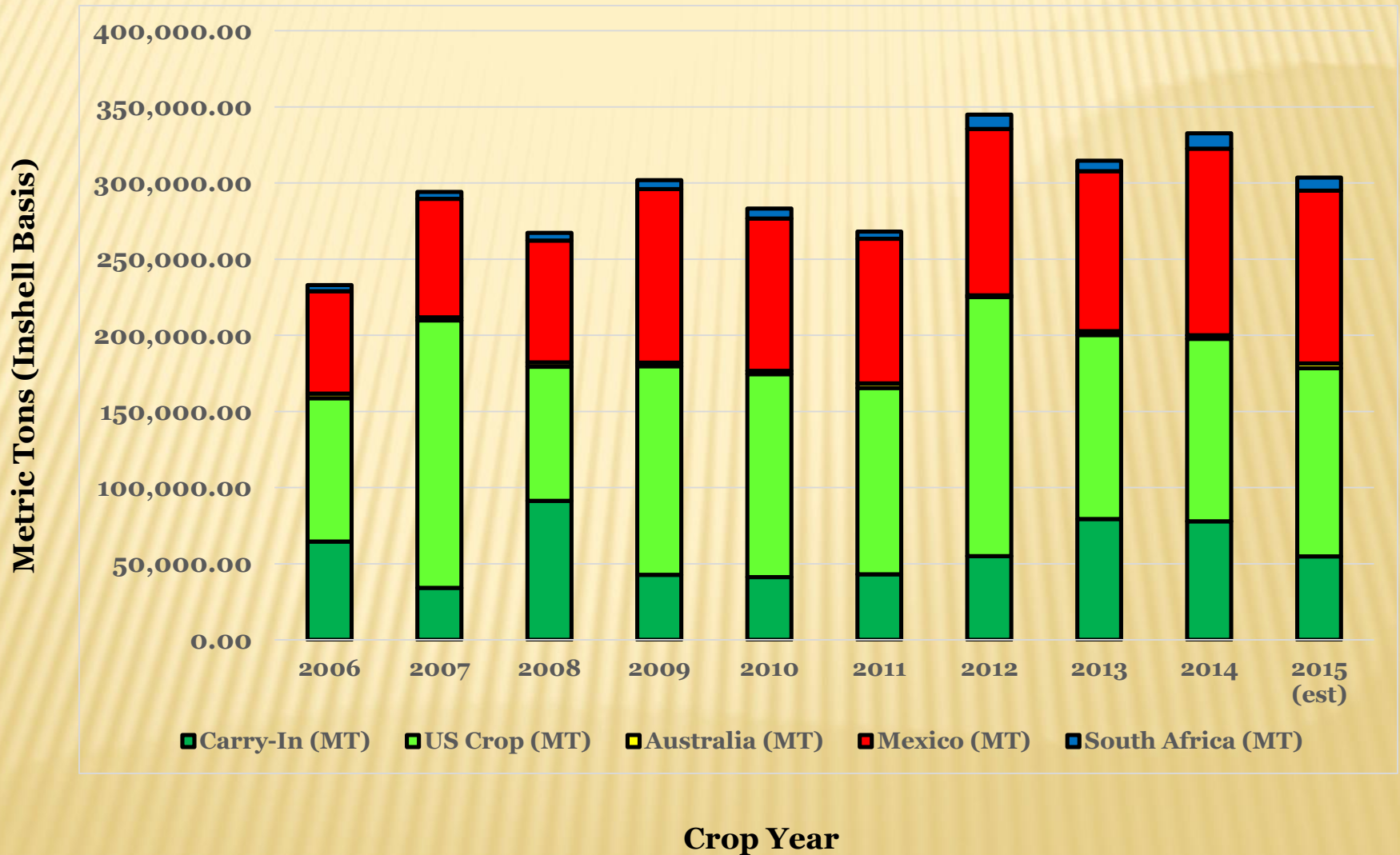
Total Supply 2013 – 279,472.42 Total Supply 2014 – 289,365.40

2014/2015 WORLD CROP

	2014	2015 (est)
South Africa	10,000.00	8,500.00
Mexico	122,536.90	113,399.26
Australia	2,400.00	3,300.00
US	119,817.65	123,532.61

Note: Figures are expressed in metric tons, inshell basis

WORLDWIDE PRODUCTION



WELCOME TO THE INDUSTRY CHOICE AWARDS

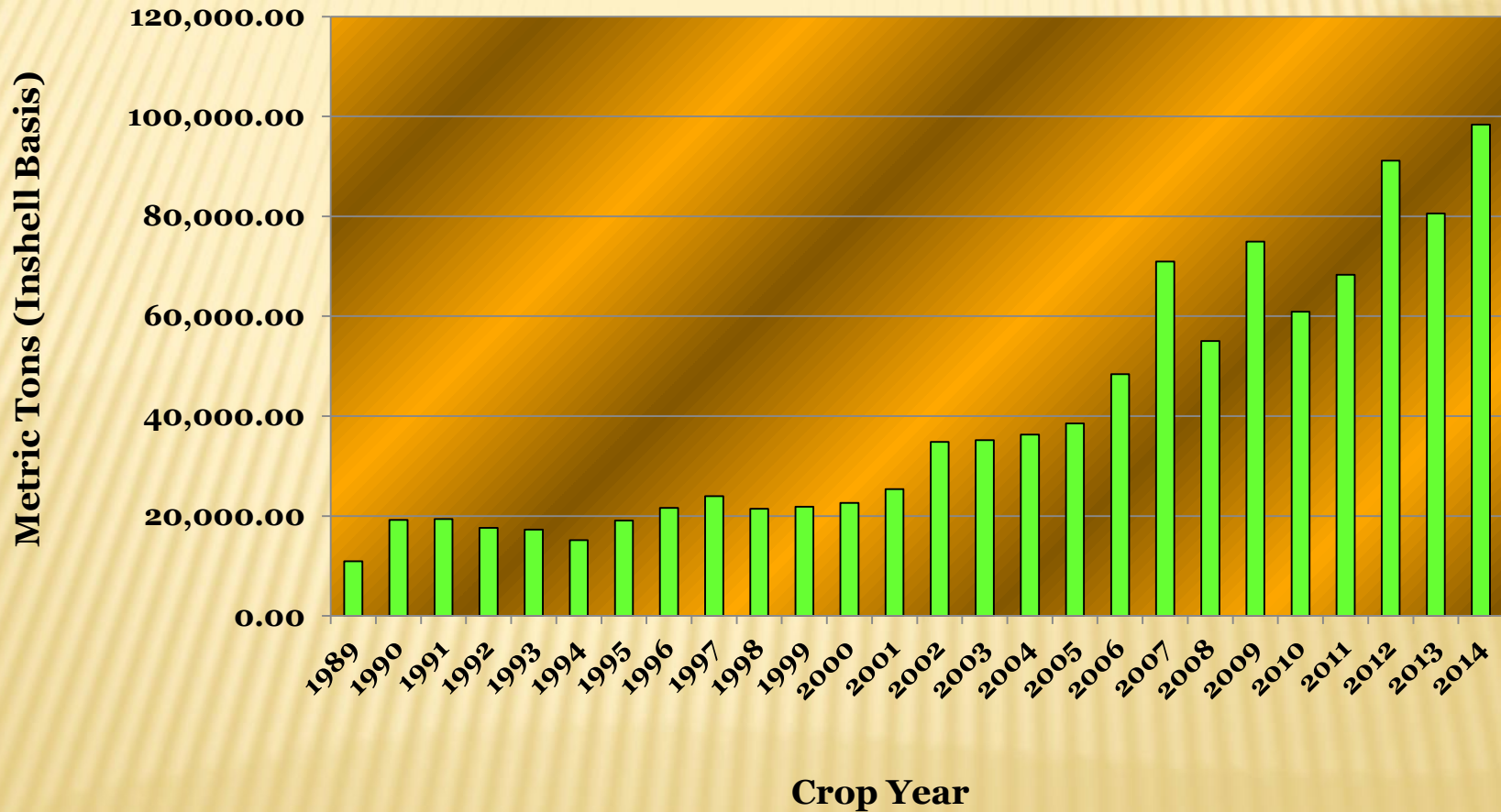
- *The China Syndrome*
 - *A View To A Kill*
 - *Back To The Future*

THE CHINA SYNDROME

A LOOK AT HOW AN INDUSTRY MELTS DOWN WHEN IT
ALLOWS ONE CUSTOMER TO CONTROL 30% OF ITS MARKET

- China is a 'Trader' vs 'Consumer' driven economy
- US Exports to China increased from 31,776.79 MT in 2013 to 40,804.05 MT in 2014 (shy of 2012 record 45,313.28 MT)
- Due to government crackdown in second quarter, exports ground to a halt, returns to growers dropped proportionally
- Economic slowdown appears to have tempered Chinese appetite for nuts in general

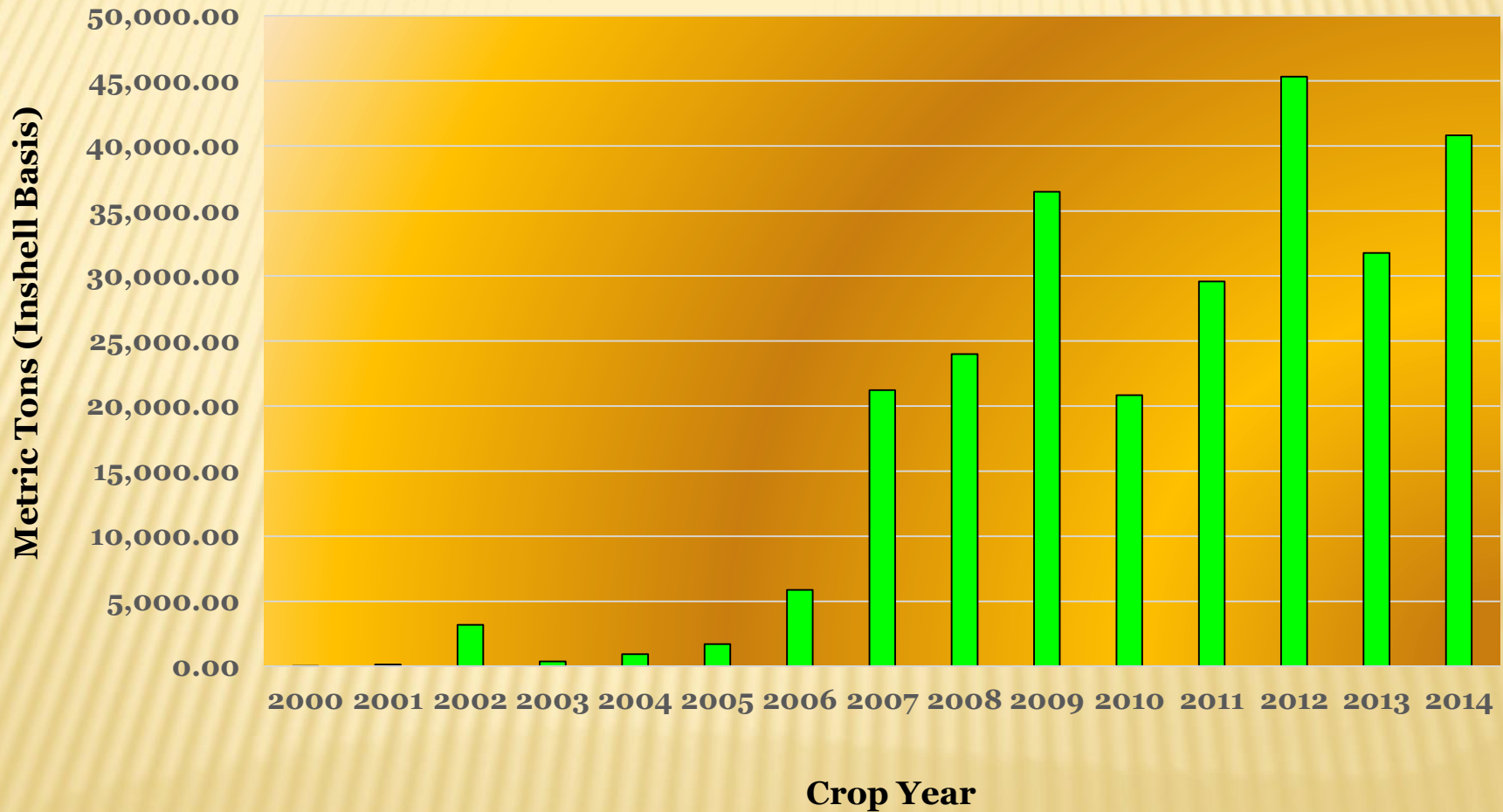
TOTAL US EXPORTS



Source: Foreign Agriculture Service (FAS).

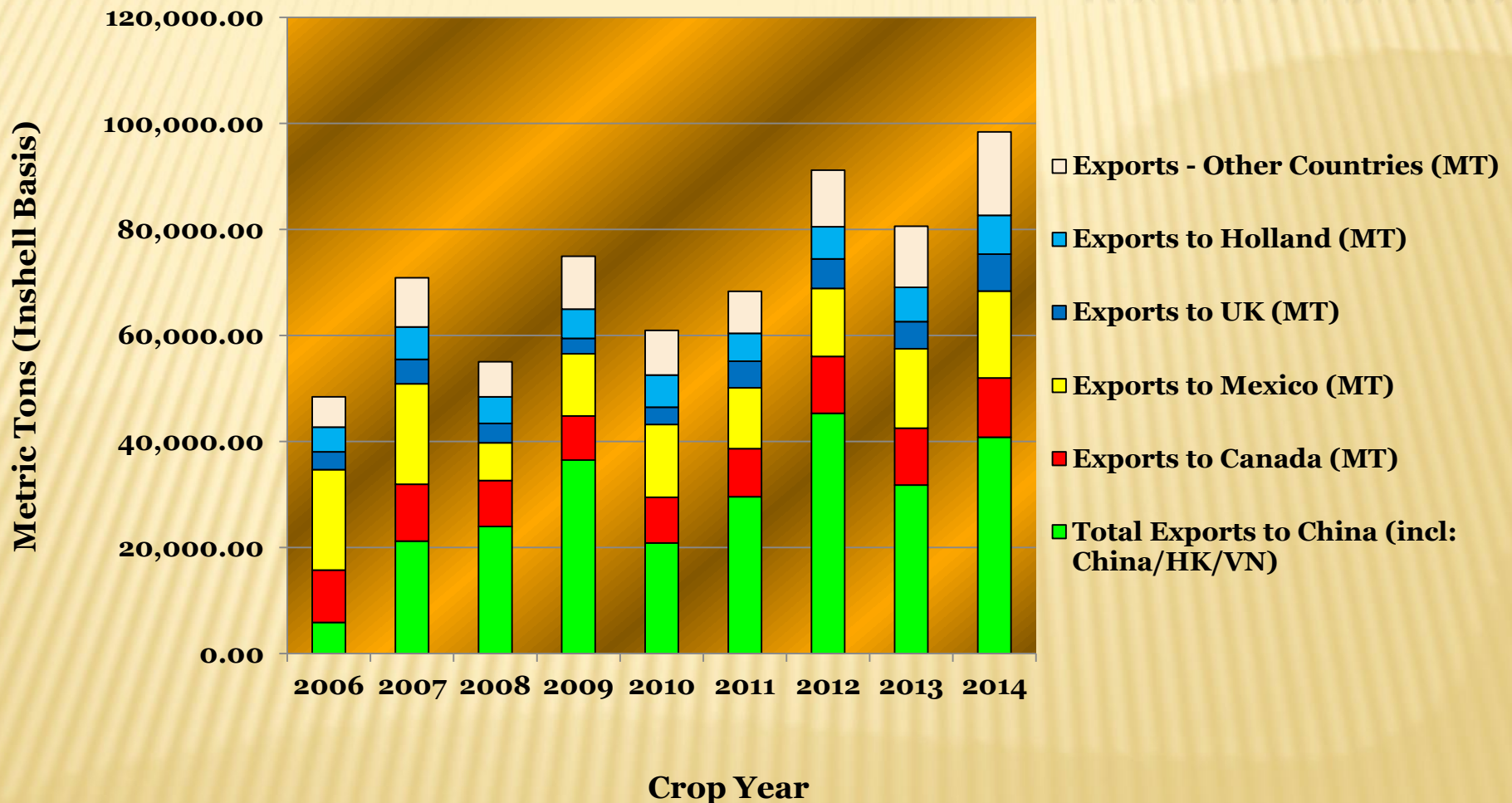
US EXPORTS TO CHINA

(INC: CHINA, HK, VIETNAM)



Data Source: USDA FAS

US EXPORTS BY COUNTRY



Source: Foreign Agriculture Service (FAS).

CHINA AS A PRODUCER

- First plantings in 1930's.*
- China has been planting trees in earnest since late 70's/early 80's
- China includes nurseries in their acreage data
- There are more than 13 provinces in Central, Eastern, Southern & South West part of China growing pecans*

***Source: INC (International Nut Council)**

CHINA AS A PRODUCER

- More than 20 varieties were trans-planted from Australia, South Africa and US including Pawnee, Caddo, Wichita, Western Schley, Barton, Cheyenne, Kiowa, Cherokee, Desirable, Mahan, Apache, Mohawk and Shoshoni.*
- Two varieties created & developed in China: Jinhua and Shaoxing.*
- Poor Growing Practices
- World's largest grower of Walnuts AND the world's largest consumer

***Source: INC (International Nut Council)**

CHINESE PECAN ACREAGE



Source: INC (International Nut Council)

CHINESE PECAN CROP



Source: INC (International Nut Council)

CHINESE ORCHARDS



CHINESE ORCHARDS



A VIEW TO A KILL

A STUDY IN HOW NOT TO ENDEAR YOURSELF TO YOUR CUSTOMER BASE

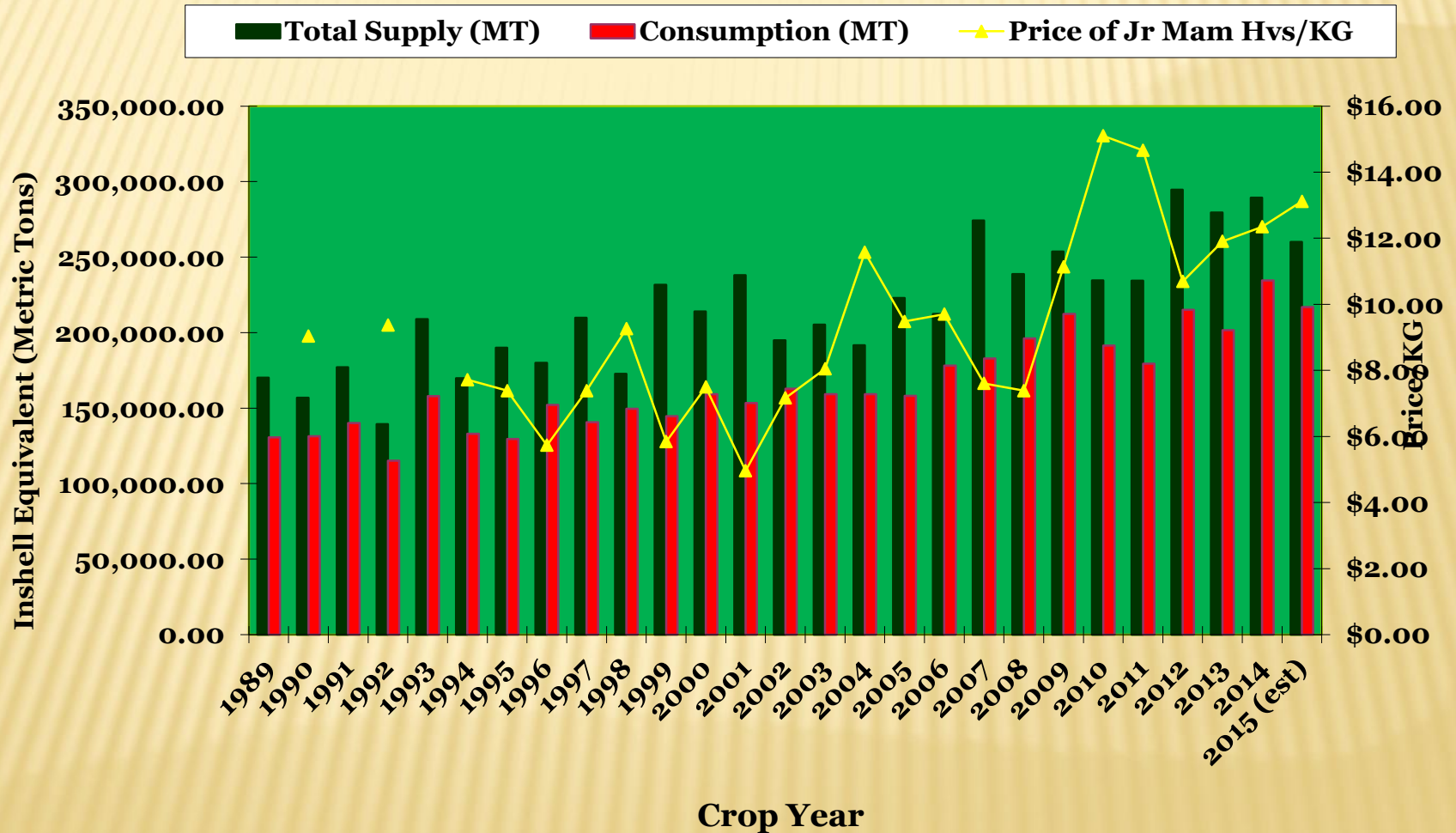
- July 2011, inshell & meat prices hit record highs
- China pulls out of market
- Market prices drop 50%
- Drought related increase in pieces results in two years of abundant pieces

A VIEW TO A KILL

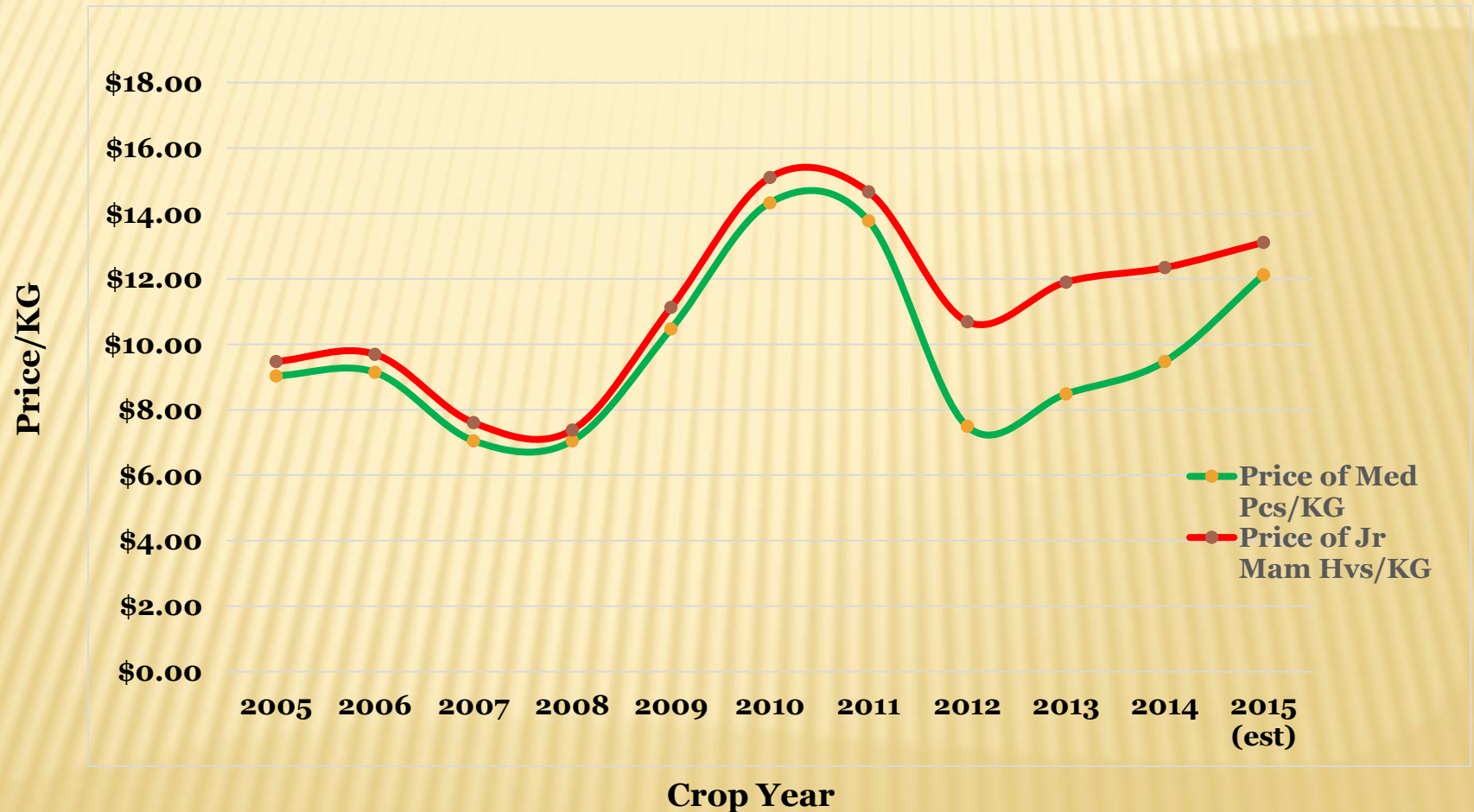
(CONTINUED)

- Price differential between pieces, halves & competing nuts results in increased pecan consumption
- Many walnut users switch to pecans while many users of pecans change formulations from halves to pieces
- Improved shell-outs, China's appetite for big pecans and increased pecan consumption leads to shortages and increased prices.

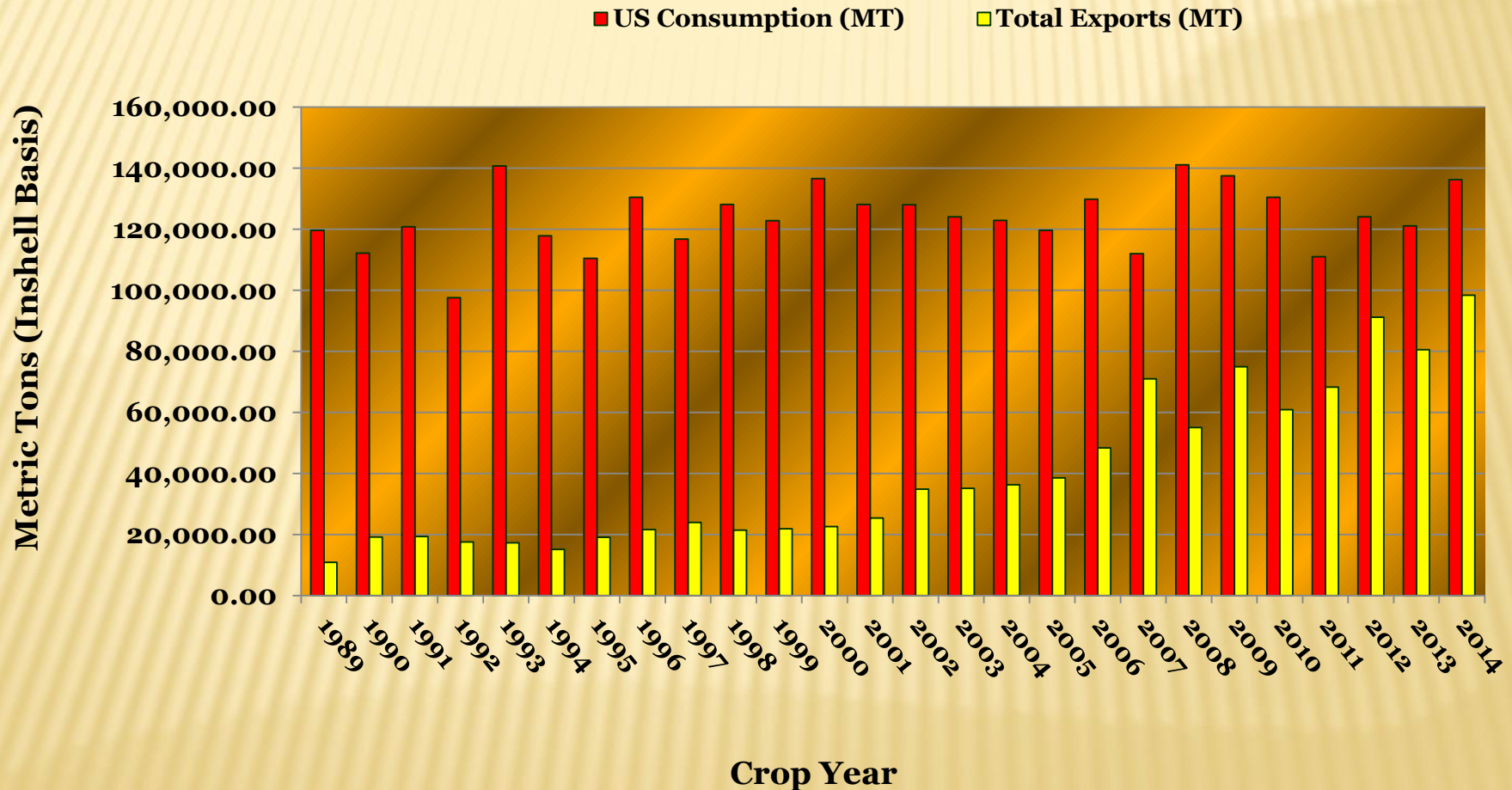
US TOTAL SUPPLY/CONSUMPTION VS. PRICE



PRICE OF MEDIUM PIECES VS. JR. MAMMOTH HALVES



US CONSUMPTION VS. TOTAL US EXPORTS



BACK TO THE FUTURE

A STUDY IN DE JA VU?

- US Growers kill two year old marketing order in early 90's
- Historically, new entrants into the US Pecan Industry have failed within a few years of entry
- In 2001, due to small profit margins and significant investment risks, US banks discontinued financing of inshell pecans for US Sheller's
- Inventory financing and market volatility made the pecan industry a poor investment

BACK TO THE FUTURE

(CONTINUED)

- China's emergence as a significant player was 'game changer'
- Orchards increase significantly in value
- National Pecan
 - Have purchased or have contracted approximately 13,200 hectares of quality orchards. Still looking for more
 - Purchased Poulan Pecan Co.

BACK TO THE FUTURE (CONTINUED)

- ADM/Golden Peanut
 - Purchase of Harrell Pecan Co
 - Establishes new benchmark value of quality pecan shelling operations
- Mexican Growers & Sheller's expanding reach both into the US and worldwide markets
- Possible US Pecan Industry Marketing Order

BACK TO THE FUTURE

(CONTINUED)

➤ Short Term

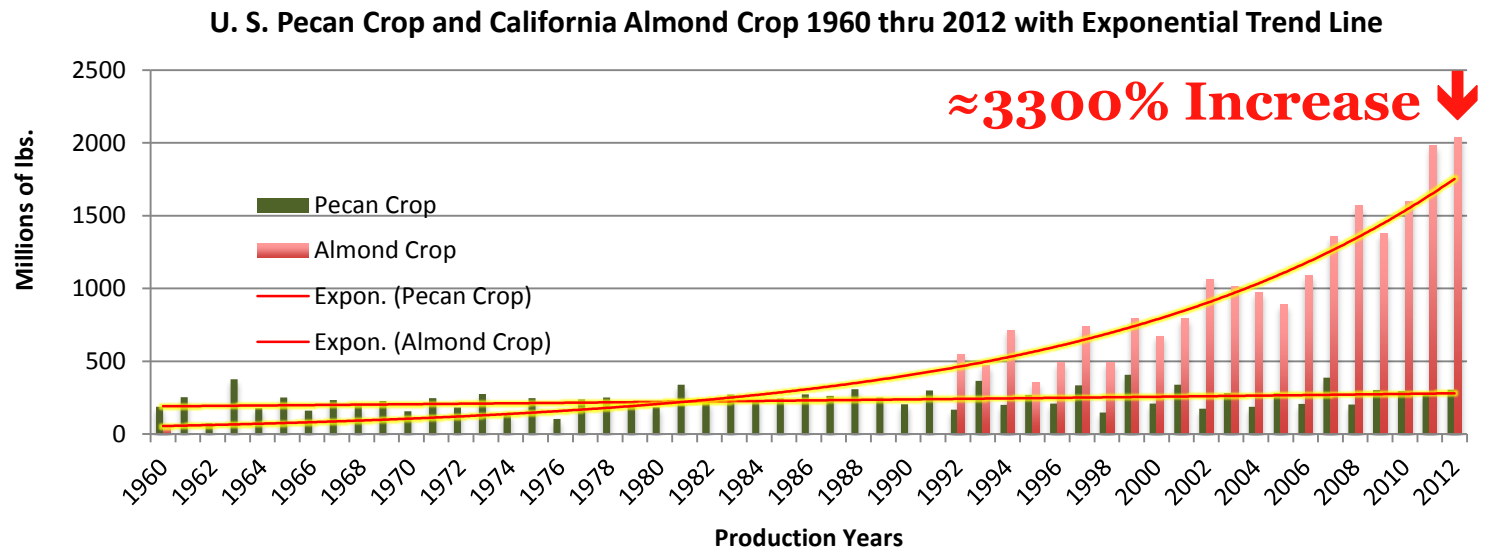
- Record Walnut crop past two years-Shelled Walnuts will be almost \$3/lb (\$6.61/kg) cheaper than pecans
- Since 1994, average loss of consumption in down years has been approximately 6%
- Slowdown in Chinese economy, combined with crackdown on 'tax cheats,' has adversely impacted all nut exports

BACK TO THE FUTURE

(CONTINUED)

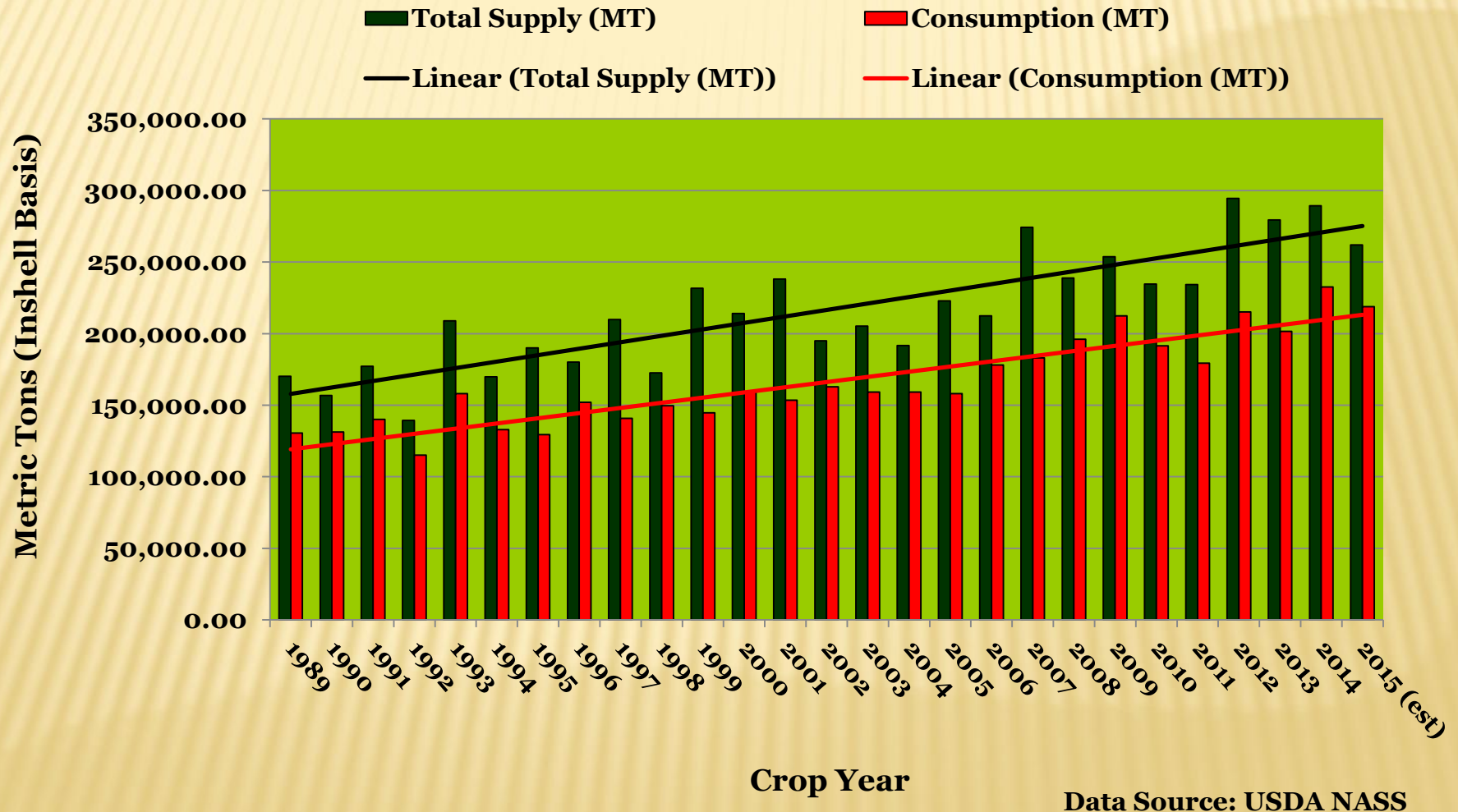
- Long Term
 - Continued outside investment will help with industry financing issues
 - Continued consolidation in US Pecan Shelling industry
 - Possible US Pecan Industry Marketing Order
 - Continued plantings worldwide-total supply could double by 2025

50 YEAR CROP HISTORY ALMONDS VS. PECANS

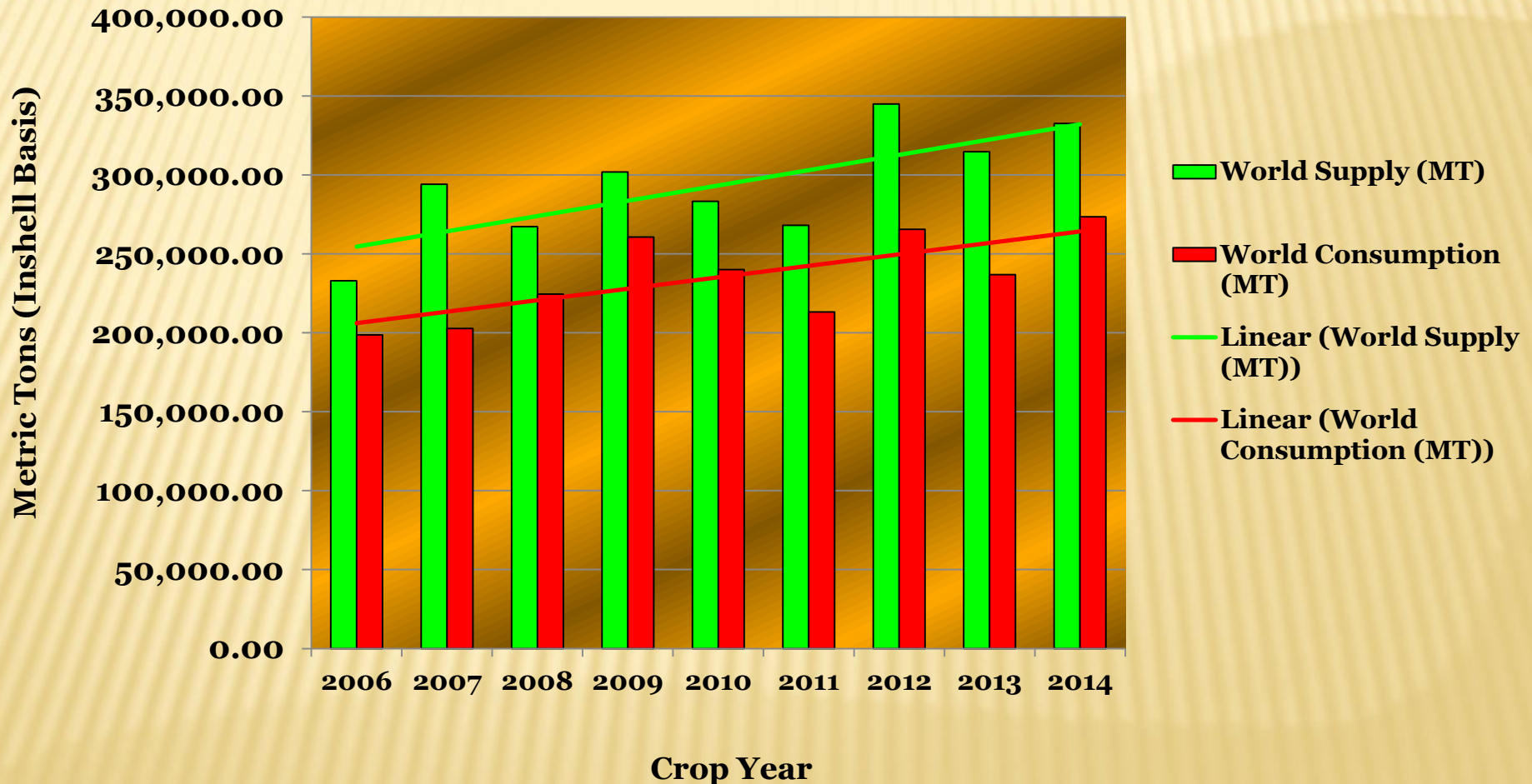


Sources: USDA, National Agricultural Statistics Service; 2012 Almond Almanac, Almond Board of California

TOTAL US SUPPLY VS. CONSUMPTION

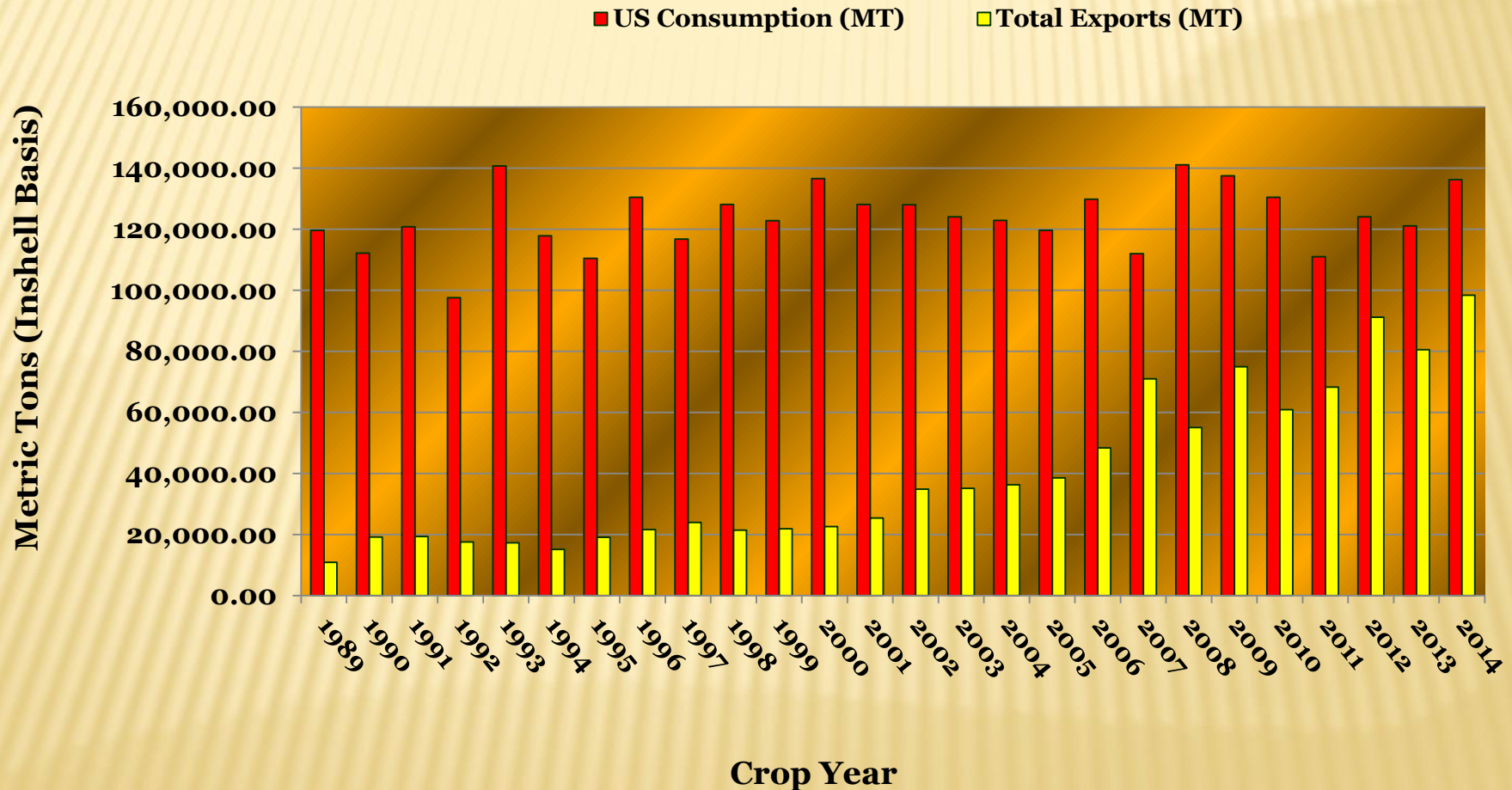


WORLD SUPPLY VS. CONSUMPTION



Source: Foreign Agriculture Service (FAS), SA
Pecan and Stahmann Farms, Australia

US CONSUMPTION VS. TOTAL US EXPORTS



***The time has come for worldwide
cooperation on Pecan research,
marketing and promotion***

AND THE WINNER IS...

‘OTHER PEOPLE’S MONEY’



QUESTIONS?

