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# *2009/2010 PECAN CROP OVERVIEW*



# WELCOME TO THE INDUSTRY CHOICE AWARDS

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- *The Perfect Storm*
- *Unforgiven*
- *The China Syndrome*
- *Sudden Impact*



# *THE PERFECT STORM*

A LESSON IN MURPHY'S LAW OR 'HOW EVERYTHING THAT COULD POSSIBLY GO WRONG WITH THE WEATHER DID'

- Spring rains in the Southeast and a late freeze in the Southwest
- Summer drought in Texas and bordering States (110 days without rain)
- Fall rains in both the Southeast & Southwest followed by two record snows in the Southwest
- Result: The loss of 50 to 70 million pounds of inshell

# UNFORGIVEN

## A FAILURE TO RECOGNIZE CHANGE: THE DEMISE OF THE INDUSTRY'S LARGEST SHELLER

- In late October, rumors circulated regarding the continued viability of Southwest Nut Co.
- On November 6<sup>th</sup>, there was a significant change in the senior management of the company.
- Due to the problems, most Shellers felt there would be less competition for inshell and numerous opportunities to gain new customers. As such, they delayed purchasing significant quantities of inshell.
- In the meantime, increased purchases by China, combined with the losses incurred due to the weather, significantly reduced the available supply of inshell.
- Result: The Shellers were forced to pay significantly higher prices for scarce inshell. Further, by the time they entered the market, there was not enough inshell left to handle domestic demand.

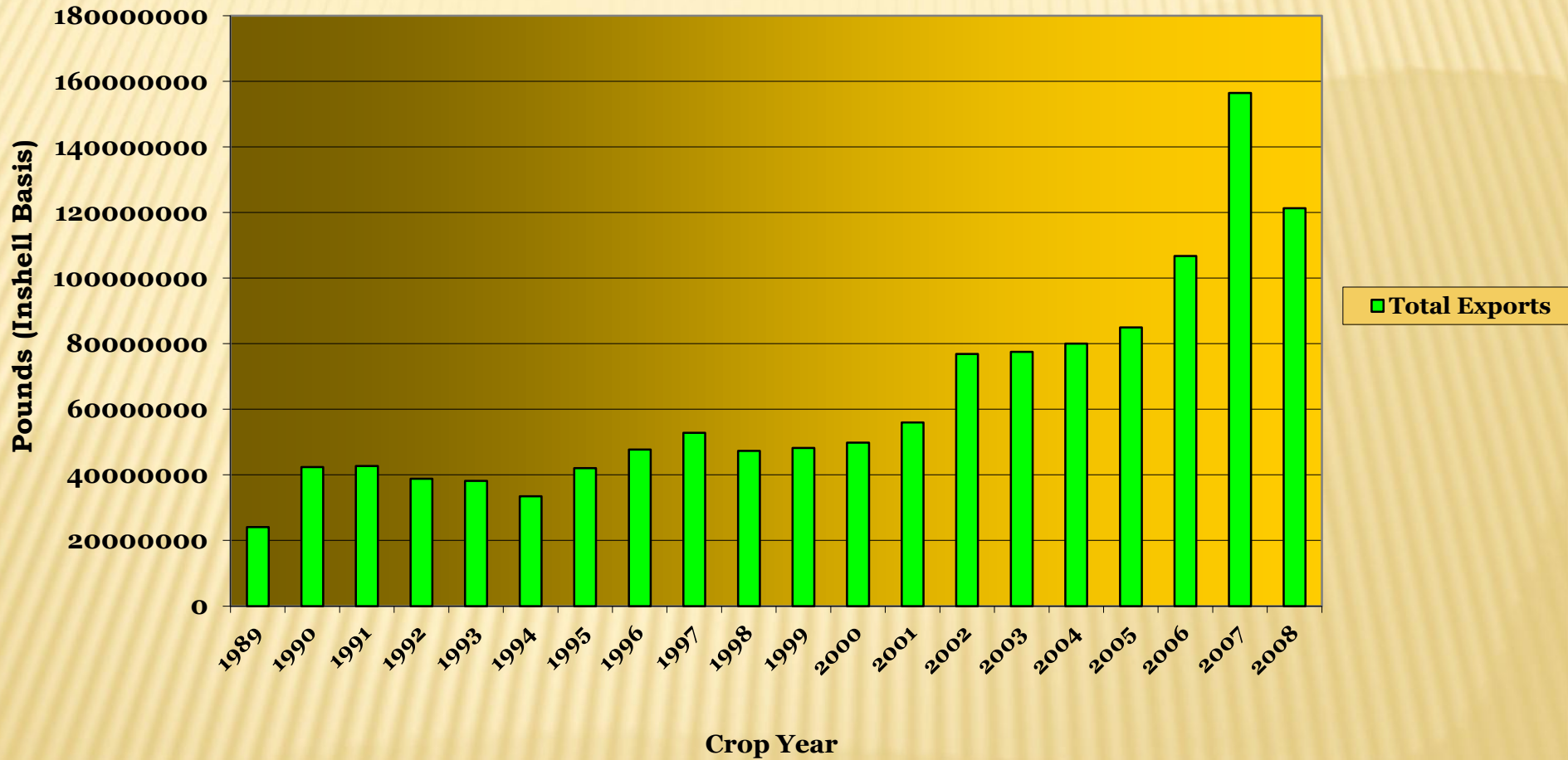


# *THE CHINA SYNDROME*

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

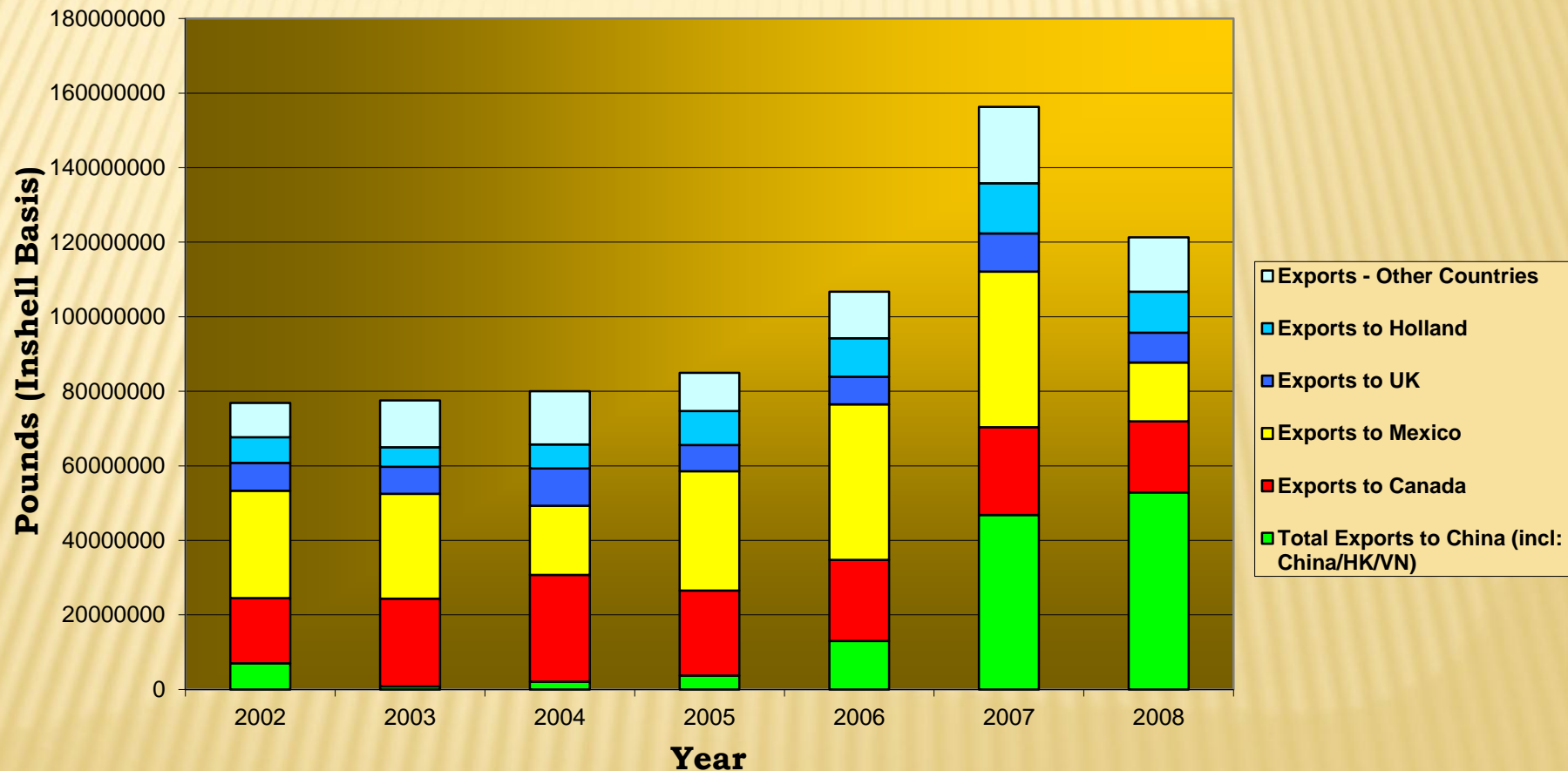
- China purchased 27% of the 2008 Crop by cutting out the Shelling industry and going directly to the grower
- Through November 2009, exports to China had increased 39% over the same period in 2008
- Adding Mexican purchases, it is anticipated that the Chinese will purchase between 100 and 130 million pounds (inshell basis) out of the 2009 crop or approximately  $\frac{1}{4}$  of the total supply

# PECAN EXPORTS



Source: Foreign Agriculture Service (FAS). FAS crop year runs from August 1 to July 31

# EXPORTS BY COUNTRY

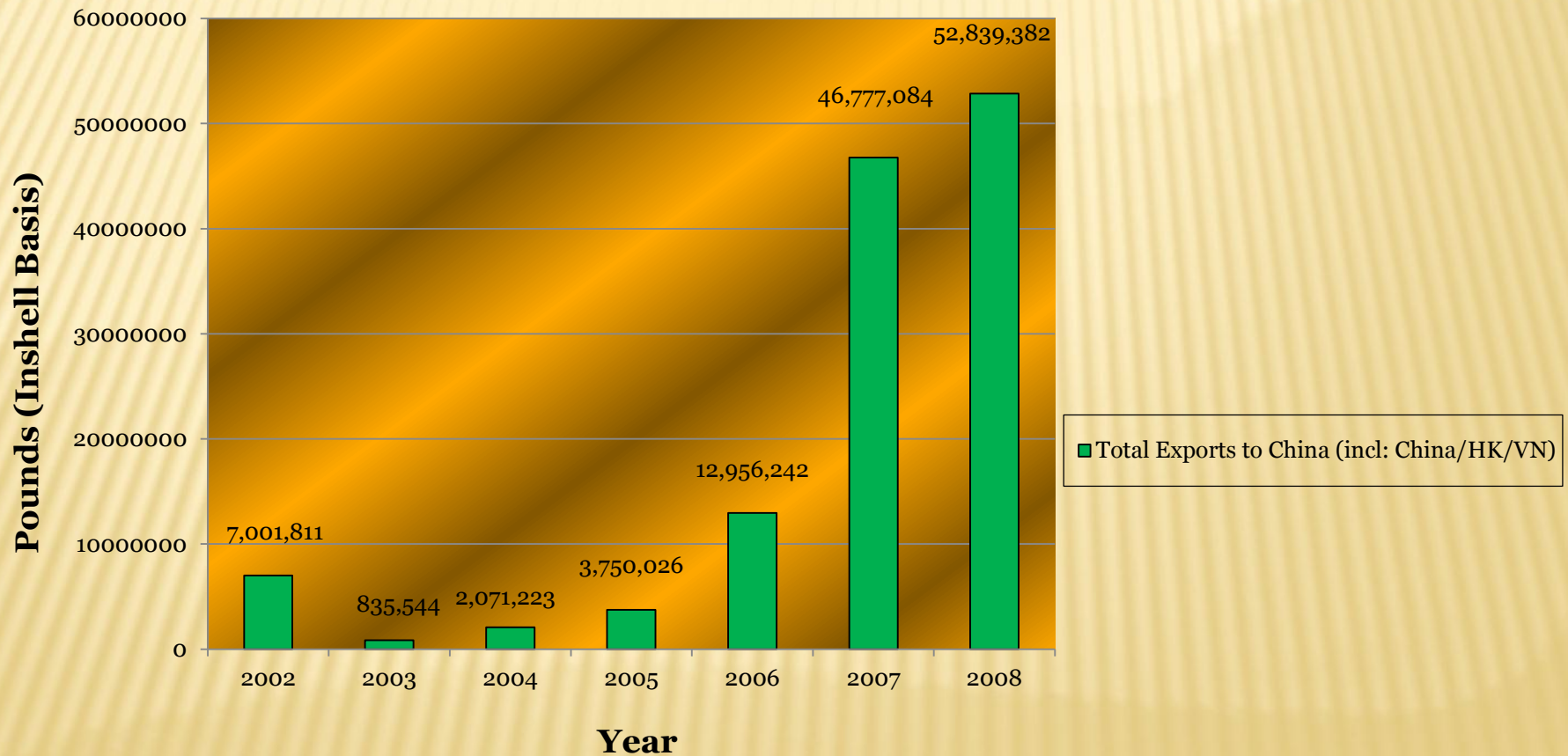


Source: Foreign Agriculture Service (FAS). FAS crop year runs from August 1 to July 31



# TOTAL EXPORTS TO CHINA

## (CHINA/HONG KONG/VIETNAM)



Source: Foreign Agriculture Service (FAS). FAS crop year runs from August 1 to July 31

# INSHELL: PRICE/POUND PAID BY CHINA

(CHINA/HONG KONG/VIETNAM)



Source: Foreign Agriculture Service (FAS). FAS crop year runs from August 1 to July 31

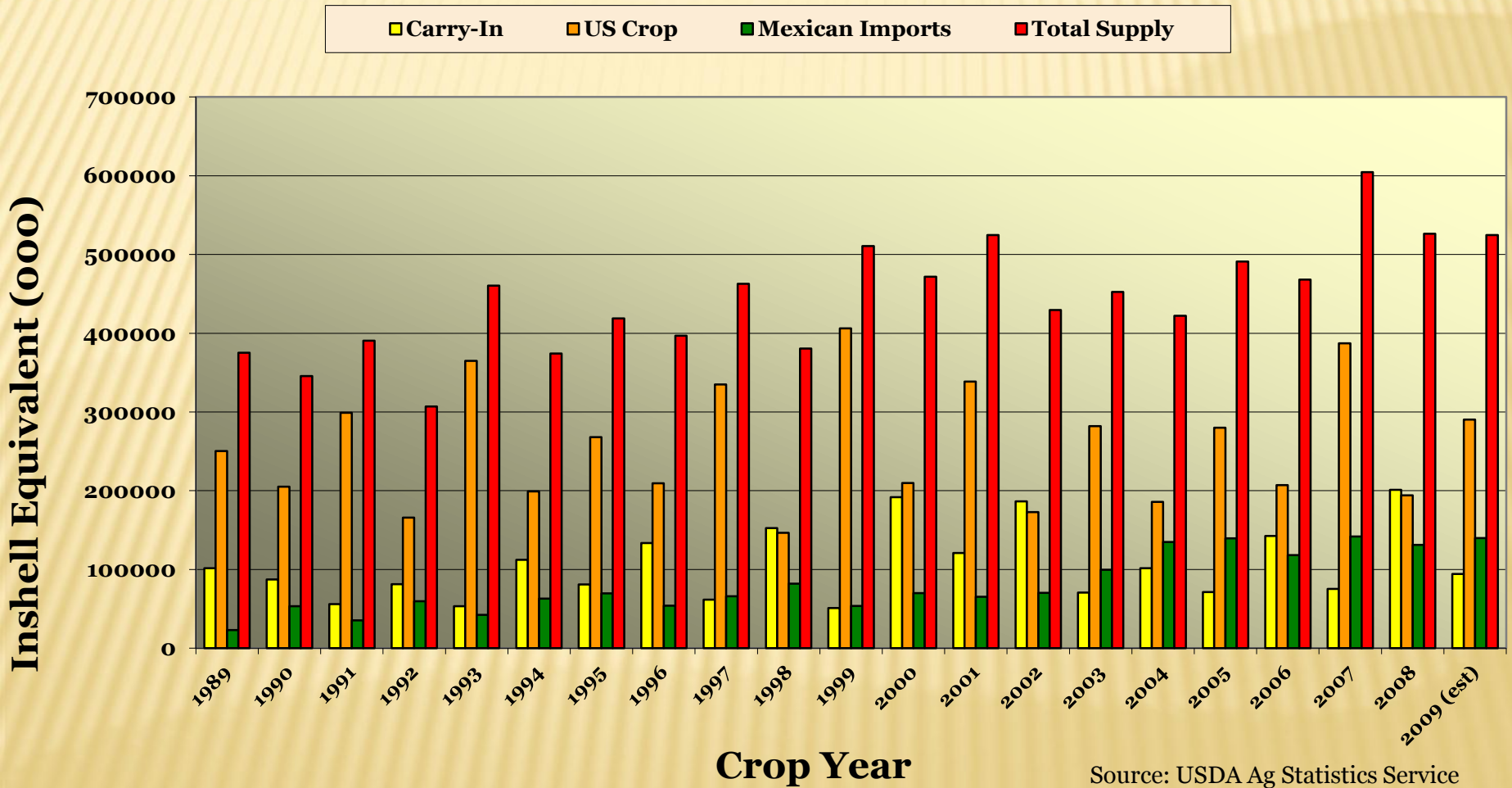


# *SUDDEN IMPACT*

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

- As this is the 'on-year' crop, most buyers anticipated, and planned for, lower prices.
- Much of the current pricing structure is based on anticipated replacement costs.
- Result: Based on current estimates, the industry could experience near record high supplies combined with record high prices.

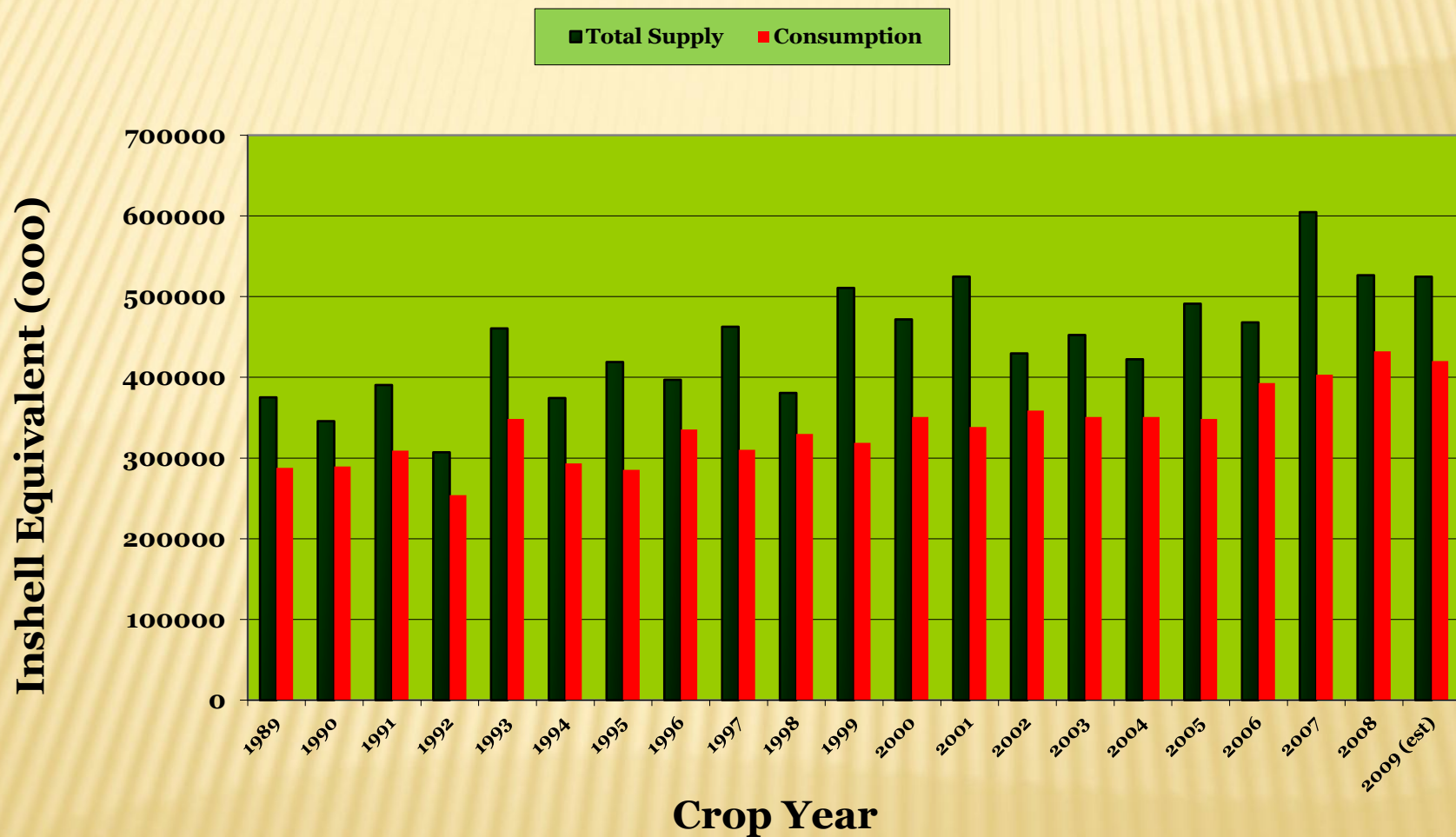
# SUPPLY COMPONENTS



Source: USDA Ag Statistics Service



# TOTAL SUPPLY/CONSUMPTION



Source: USDA Ag Statistics Service

# STATISTICS

## AN OPTIMISTIC VIEW OF THE FUTURE\*

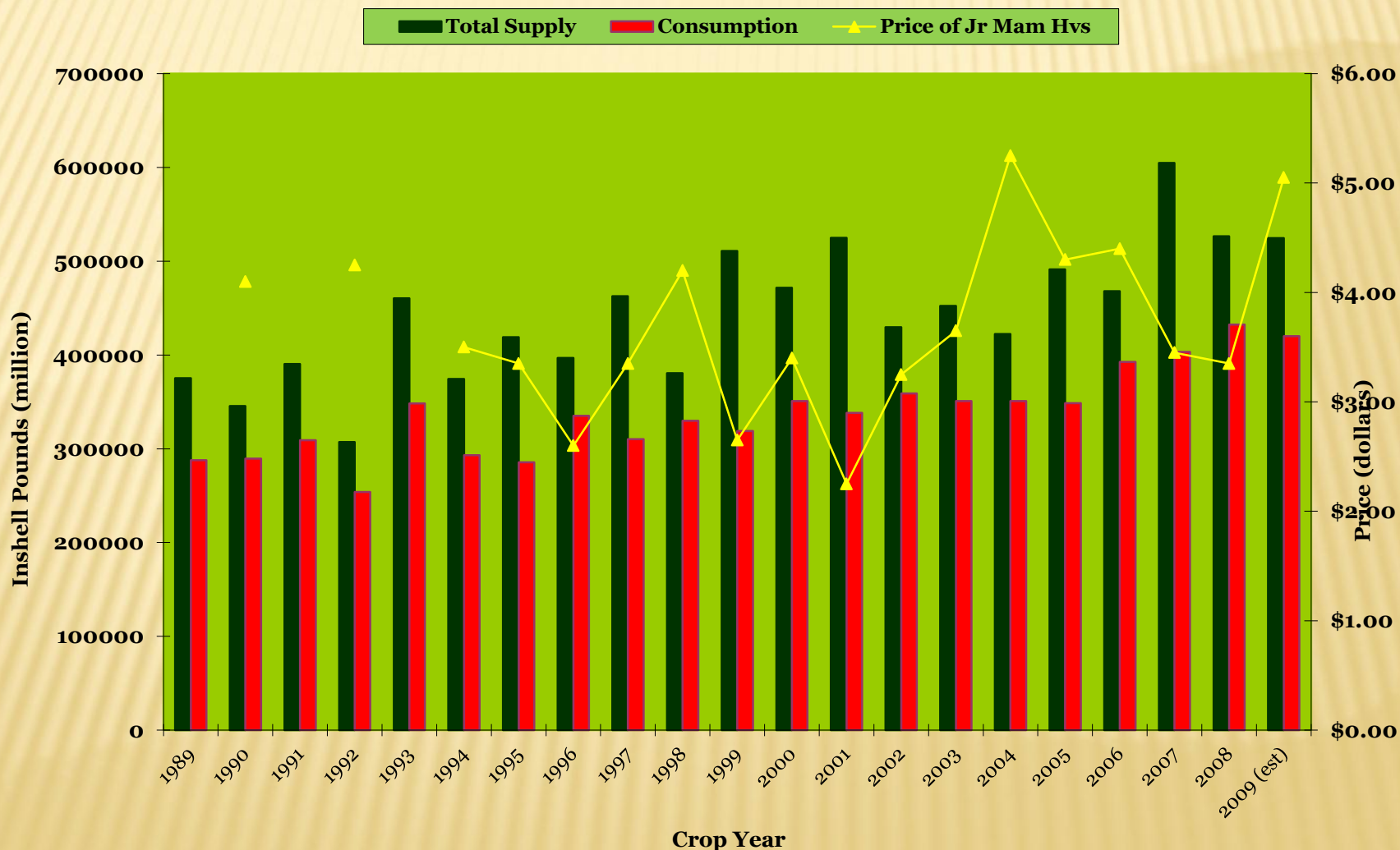
✖ 2008 Carry-over	94,194,000
✖ 2009 USDA US crop estimate	290,500,000
✖ 2009 Imports from Mexico (est.)	<u>140,000,000</u>
✖ Total Supply (estimate)	524,694,000
✖ Less Consumption (estimate)	<u>420,000,000</u>
✖ 2009 Carry-over (estimate)	104,694,000
✖ 2010 US crop (estimate)	190,000,000
✖ 2010 Imports from Mexico (est.)	<u>105,000,000</u>
✖ Total Supply (estimate)	399,694,000
✖ Less Consumption (reduced 5%)**	<u>398,952,000</u>
✖ 2011 Carry-over	742,000

\*Estimates are based on historical data from the USDA & FAS

\*\*Note: The 5% figure is based on the average loss in consumption for those years where there was a loss since 1994



# TOTAL SUPPLY/COMSUMPTION VS. PRICE



AND THE WINNER IS...

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*‘OTHER PEOPLE’S MONEY’*



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*QUESTIONS?*