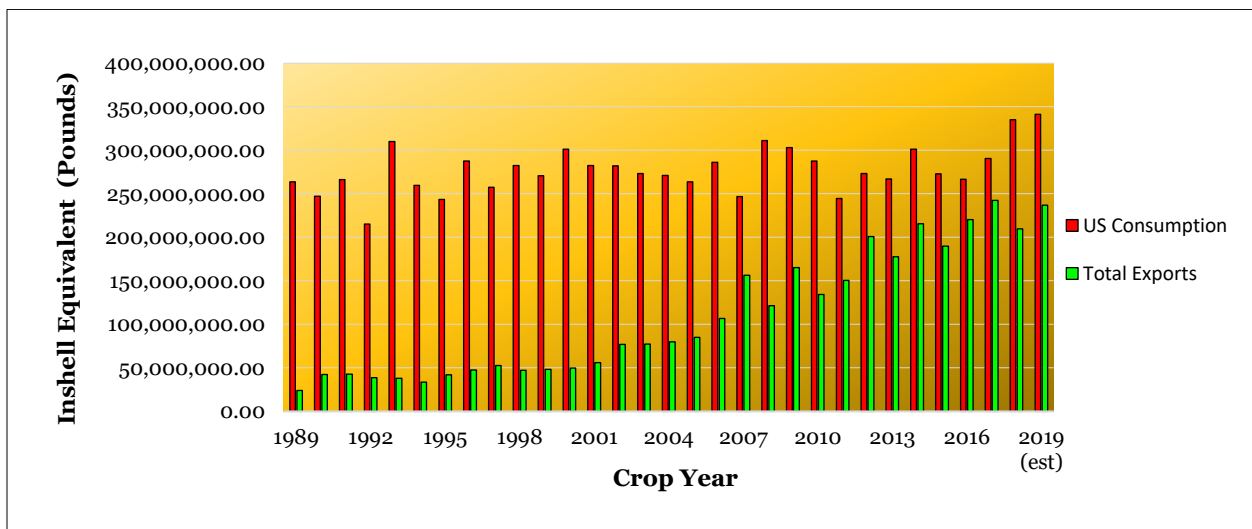


## “Things are Looking Better”

Sometime back in January, I received a call from a grower asking to be removed from my newsletter email list. When asked why, he commented that it seemed I never published any good news, only news relative to the current oversupply situation, projected long-term supply issues and the resultant decline in prices. While I did not necessarily agree with his assertion, I pointed out that it was important to note that since December 2016, worldwide supply had increased dramatically, especially from Mexico, resulting in a precipitous decline in prices. Further, the American Pecan Council, using data accumulated by the Boston Consulting Group, had published a report projecting that by 2027, world supply would nearly double from 680 million pounds (inshell basis) to 1.2 billion pounds<sup>1</sup>. As if that wasn't enough, the US and China entered a prolonged trade war at the same time Mexico was harvesting a record crop and just before Georgia was hit with one of the worst hurricanes to ever come ashore in the United States. This particular grower, however, was not convinced.

While the long-term market impact of the Corona virus is still unknown, barring any significant supply chain disruptions, analysis of currently available Government and APC data would indicate that the industry has finally turned the corner. For the past two years, kernel exports have increased, US consumption has increased, overall consumption has increased, even with the loss of China's inshell market, and so far this crop year, even inshell exports are up. Through January 2020, 2019 crop year exports are up 12.96%, kernel exports are up 6.1%, overall consumption is up 6.05% and US Domestic consumption is up 1%.

### US Consumption vs Total Exports

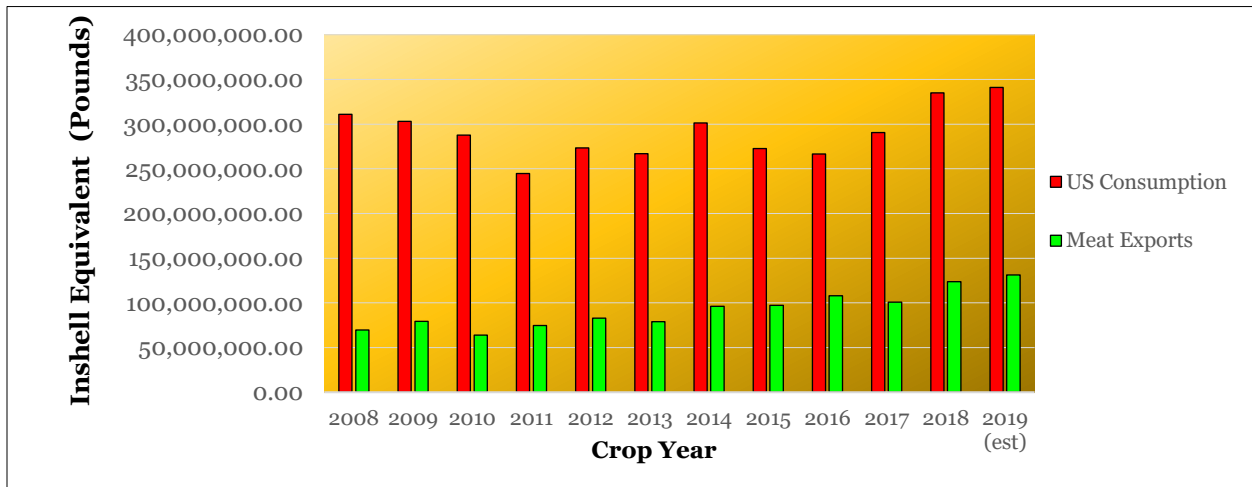


2

<sup>1</sup> April 28, 2019 American Pecan Council Presentation on Boston Consulting Group Study Results

<sup>2</sup> Source: USDA NASS, USDA FAS and Nature's Finest Foods, Ltd.

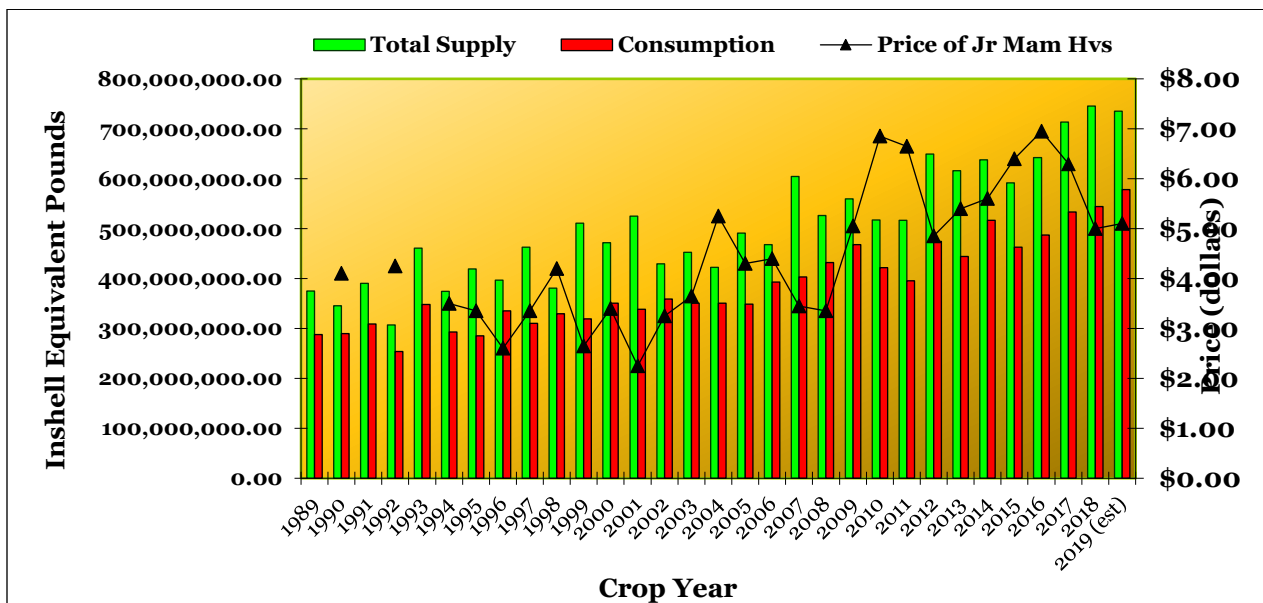
### US Consumption vs Kernel Exports



3

As mentioned above, according to the Boston Consulting Group, by 2027, worldwide pecan production is expected to be 1.2 billion inshell pounds. However, due to recent changes in weather patterns, for the past three years, world supply has remained relatively steady. While lower prices and increased supplies have resulted in the current market malaise, a short-term tightening of supply should help to move prices higher, both for inshell and kernels.

### US Supply vs Consumption vs Price

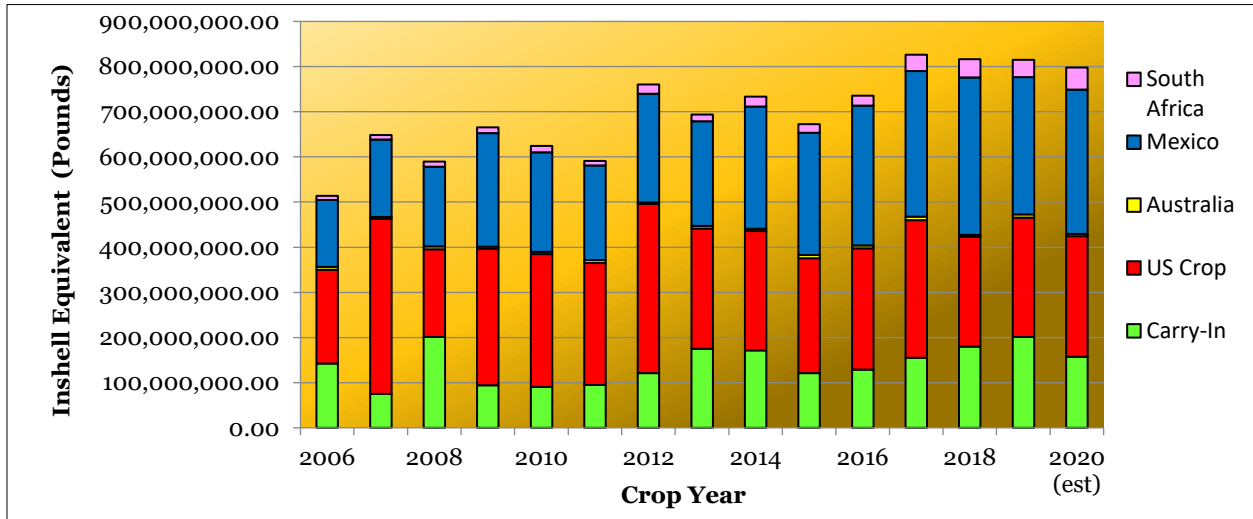


4

<sup>3</sup> Source: USDA NASS, USDA FAS and Nature’s Finest Foods, Ltd.

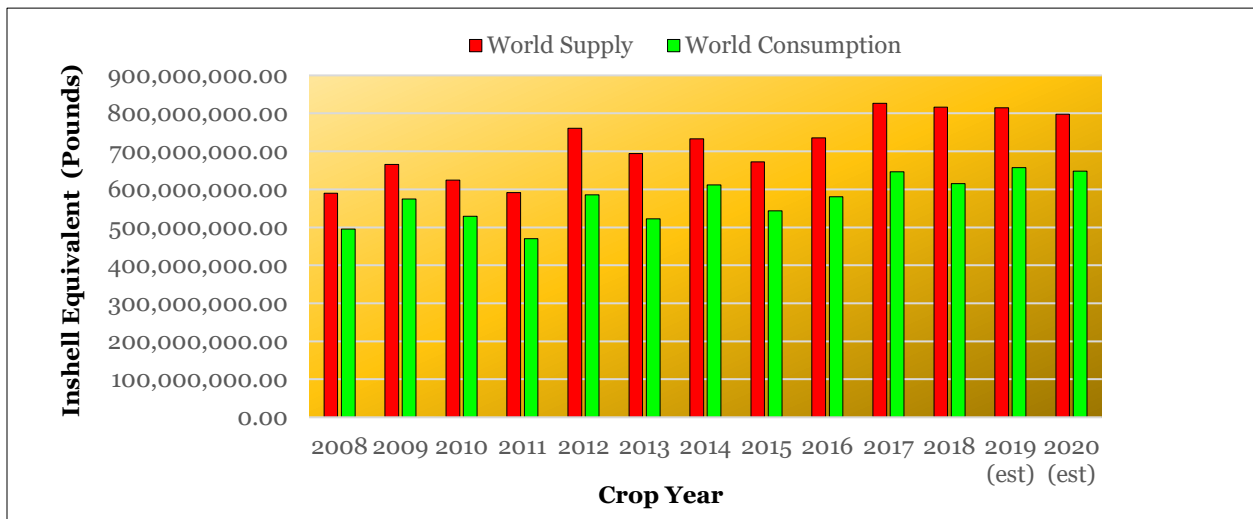
<sup>4</sup> Source: USDA NASS, USDA FAS and Nature’s Finest Foods, Ltd. Prices are based on January contract pricing

## World Production



5

## World Supply vs World Consumption



6

Finally, for those who may have questioned the value of the Federal Marketing Order, the best news is that, even with a stable supply, US processors have been able to grab a greater piece of the overall pecan pie (pun intended). This is no accident. Increased

<sup>5</sup> Source: USDA NASS, Stahmann Farms-Australia, Golden Peanut & Tree Nut-SA, Bester-SA, Mtebeni Valley Farms, SA, Agricultural Information Service - Mexico, Nature's Finest Foods, Ltd. Totals DO NOT include China or other emerging producers

<sup>6</sup> Source: USDA NASS, Stahmann Farms-Australia, Golden Peanut & Tree Nut-SA, Bester-SA, Mtebeni Valley Farms, SA, Agricultural Information Service - Mexico, Nature's Finest Foods, Ltd. Totals DO NOT include China or other emerging producers

Industry marketing efforts, research and promotion, combined with the knowledge that the US Pecan Industry produces the safest, highest quality product in the world, has allowed the Industry to continue expanding their markets even in the face of stiff low cost competition and reduced shipments to China.

Now, if we could only learn how to leverage the power of the 32 Senators and over 200 Congressmen that represent us!