

Pecan Production Estimate of 204 Million Pounds, Down 181 Million Pounds from Last Year Pecan Market Expected to Improve

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USDA's initial estimate of pecan production for the 2008/09 season, released on October 10, 2008, at 204.1 million pounds is down 47 percent from 385.3 million pounds produced last year and down 3.3 million pounds from 207.3 million pounds produced in 2006. (see table 1). Pecan prices were excellent in 2006. Improved varieties are expected to produce 171 million pounds or 84 percent of the total, while native and seedling varieties, at 32.8 million pounds, make up the remaining 16 percent.

The market opened to prices of \$3.70-\$4.05/point for good quality pecans for the gift pack/fund market. So far, it does not appear that concerns for the U.S. economy are affecting opening prices. While settlement of the U.S. financial crisis remains months away, the \$936 recovery of the Dow Jones Industrial Index on Monday, October 13, 2008, the largest single day change in history, may indicate that confidence in the U.S. economy is good and will help markets.

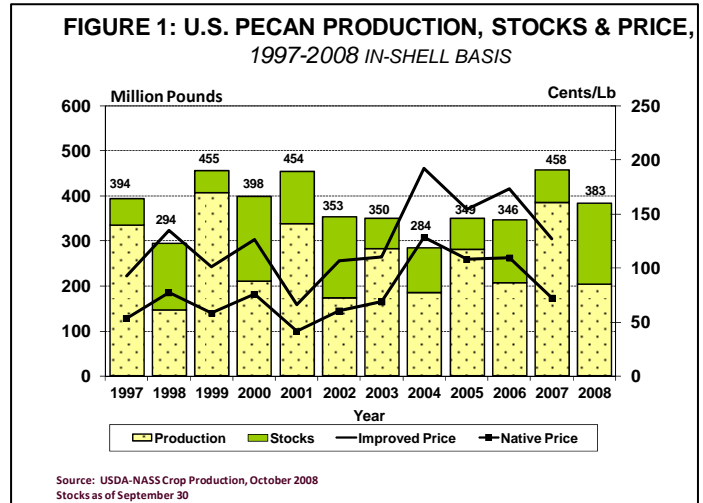
Carry-in stocks of about 179 million pounds, as of the end of September '08, are up 106.5 million pounds (up 147 percent) from carry-in stocks of about 72.4 million pounds a year ago at this same time. The production estimate, together with the estimate of carry-in stocks brings the estimate of total domestic supplies to about 383 million pounds, down about 74.7 million pounds (down 16.3 percent) from supplies of about 457.5 pounds at this same time, a year ago, but up 11.0 percent from

	Average Industry ¹ Forecast 2008	USDA 2007/08 ('07 Final Prod)	USDA ² 2008/09 Forecast	% Percent Change 2007/08
<i>Million Pounds</i>				
Alabama	5.6	10.0	8.0	-20.0%
Arkansas	1.7	2.3	1.0	-56.5%
Arizona	14.0	23.0	15.5	-32.6%
California	3.4	4.4	4.0	-9.1%
Florida	0.9	1.9	1.7	-10.5%
Georgia	68.0	180.0	70.0	-53.3%
Kansas	1.5	0.5	1.5	200.0%
Missouri	1.5	0.005	1.0	
KS & MO	3.0			
Louisiana	15.0	14.0	7.0	-50.0%
Mississippi	0.9	3.0	1.3	-56.7%
New Mexico	39.0	74.0	45.0	-39.2%
N. Carolina	0.4	0.2	0.6	200.0%
Oklahoma	14.0	30.0	13.0	-56.7%
S. Carolina	1.6	2.0	2.5	25.0%
Texas	31.4	70.0	32.0	-54.3%
Total	201.9	385.3	204.1	-47.0%

¹ LA Producers, LA Growers, TX Pape, and TX Brookshier
² SOURCE: USDA-NASS, Crop Production Report, October 10, 2008

domestic supplies of about 346 million pounds at this same time in 2006. (See Figure 1).

Given that 2004's record high prices were influenced by a low off-year crop of 186 million pounds and prices weakened with this past season's record crop, the estimate of total supplies of 383 million pounds does not appear significantly out of line in terms of current



demand. Discounting this past season's record production, domestic supplies averaged 336 million pounds during the five seasons prior to this past season, when prices showed significant strength. U.S. exports have increased significantly during the past two seasons, especially to China and should continue this coming season. While the dollar has appreciated slightly in terms of exchange rates with pecan importing countries, such as Canada, the relatively weak dollar will continue to make pecans relatively price attractive to importing countries.

Imports

In terms of the pecan crop in Mexico, the principal pecan exporter to the U.S., USDA's Foreign Agricultural Service (FSA), September 15, 2008, forecast for Mexico's 2008/09 marketing year (Oct.-Sept.) crop at 198.7 million pounds is up 16 percent from 171.4 million pounds produced during the 2007/08 marketing year. Pecan imports from Mexico were averaging about 60-72 million pounds, increased to over 100 million pounds during 2004-06, as U.S. supplies were short, but dropped to about 81 million pounds this past season. A 198.7 million pound crop estimate in Mexico indicates that U.S. imports from Mexico may impact the U.S. commercial market. But, keep in mind that imports are market driven. Also, pecan domestic consumption in Mexico has increased almost 60 percent during the last two years. Mexico is also the principal importer of U.S. pecans. According to the USDA-FAS, Mexico Tree Nuts Annual Report for 2008, the U.S. exported about 33.8 million pounds of pecans to Mexico this past season and Mexico plans to import about 40 million pounds of pecans from the U.S. this coming season.

Tree Nuts

USDA's initial total tree nut forecast for 2008/09 season at 2.9 billion pounds, is down 3.2 percent from last year's record crop of 3.0 billion pounds. (See Figure 2). Almond production, forecast at a record 1.5 billion pounds, is up 7.9 percent from 1.39 billion pounds produced last year and accounts for the large portion of the forecast.

The estimate of walnut production at 750 million pounds is up 15.4 percent from 650 million pounds produced last year. Almond production will account for close to 52 percent of total U.S. tree nut production and together with walnuts

will account for 79 percent of total U.S. tree nut production. Pecans only comprise about 7 percent of total U.S. tree nut crop.

Despite increasingly bigger tree nut crops each year, prices for most U.S. tree nuts have been climbing throughout much the 2000s due to strong world demand.

