

**Pecan Market Opens to Excellent Price Bids for Good Quality Pecans
Production Estimate of 201.4 Million Pounds, Down 41 Million Pounds from Last Year**
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The pecan market opened to excellent price bids for good quality pecans for the gift pack/fund market.

Table 1: Pecan Production Estimate for 2006 Initial Forecast for 2006 ¹			
State	2005	2006 ¹	% CHANGE
	Million Pounds		
AL	4.0	6.0	50%
AZ	22.0	15.0	-32%
AR	2.3	1.6	-30%
CA	3.9	3.2	-18%
FL	1.0	0.9	-10%
GA	80.0	45.0	-44%
KS	3.2	2.0	-38%
LA	5.0	19.0	280%
MS	1.0	2.5	150%
MO	2.6	1.5	-42%
NM	65.0	46.0	-29%
NC	2.0	1.2	-40%
OK	21.0	20.0	-5%
SC	2.2	1.5	-32%
TX	65.0	36.0	-45%
U.S.	280.2	201.4	-28%

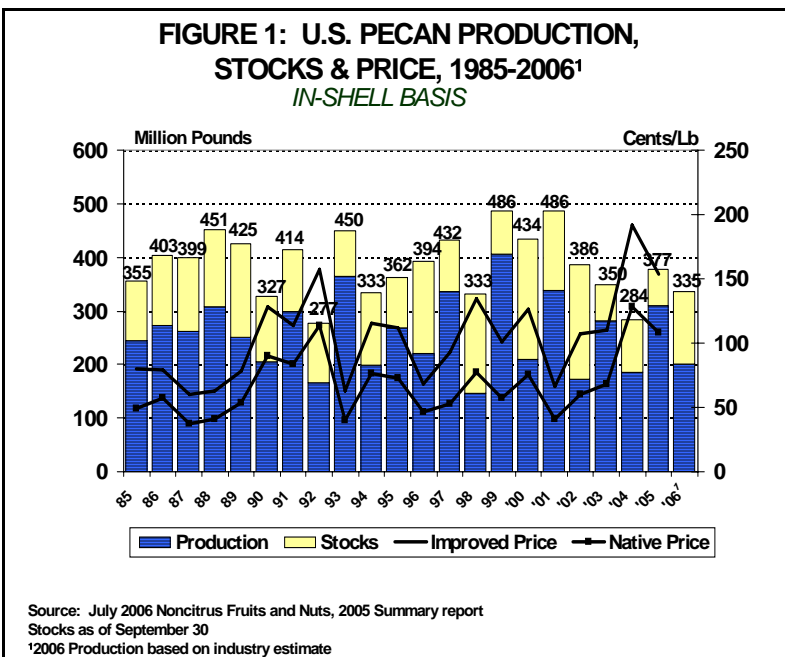
Source: USDA/NASS Crop Production, October 12, 2006

USDA's initial estimates of pecan production for the 2006/07 season, released on October 12, 2006, at 201.4 million pounds is down 28.1 percent from 280.2 million pounds produced last year (see table 1).

While the 133.9 million pound estimate of carry-in stocks, as of the end of September '06, is almost twice the size of carry-in stocks a year ago at this same time, the current estimate of total supplies at 335 million pounds is down 11.1 percent from last year and up about 50 million pounds from 2004 when prices reached record highs.

Given that 2004's record high prices were influence by a low off-year crop of 186 million pounds and prices weakened slightly this past,

on-year season, the estimate of total supplies of 335 million does not appear out of line with supplies during the past four years when prices showed significant strength. (See Figure 1). The market should remain relatively strong. This past season's slight adjustment in the market may have been influenced by pre-season industry forecasts of a crop as high as 340 million pounds. Keep in mind that the



average estimate of total supplies of 349 million pounds during the last four seasons (2002-2005) when prices improved significantly is higher than the current '06/07 season estimate of supplies at 335 million pounds. While the marketing may not achieve 2004's record highs, it appears that the market should remain relatively strong.

Also, keep in mind that the last market collapse in 2001 was heavily influenced by a large crop of 339 million pounds, the effects of the 9-11 disaster, a weakening economy, reduced confidence in Corporate America, the collapse of the stock market and stiff competition from a then record tree nut crop. Markets for other activities such as travel, cattle, etc. were similarly influenced. While record high energy costs may slow the economy, it appears doubtful that it may compare to the 9-11 disaster in terms of weakening markets.

Imports

In terms of the pecan crop in Mexico, the principal pecan exporter to the U.S., USDA's Foreign Agricultural Service, August 18, 2006, forecast for Mexico's 2006/07 crop at 166.8 million pounds is up about three percent from 161.7 million pounds produced last year. Pecan imports from Mexico were averaging about 60-72 million pounds, but have increased to about 90 million pounds during the past two seasons, as U.S. supplies were short. A 166.8 million pound crop indicates that U.S. imports from Mexico may impact the commercial market. But, keep in mind that imports are market driven. In addition, Mexico has very limited pecan storage capacity. Mexico is also the principal importer of U.S. pecans. According to the USDA-FAS, Mexico Tree Nuts Annual Report for 2006, Mexico plans to import about 21 million pounds of pecans this coming season, with the U.S. as a principal supplier.

The U.S. imports pecans from Mexico during the harvest season and pecans are exported from storage to Mexico during the rest of the year. The U.S. will export pecans to Mexico, starting about the end of next April. The net effect is that Mexican imports will increase U.S. supplies by 70-80 million pounds, depending on price.

Tree Nuts

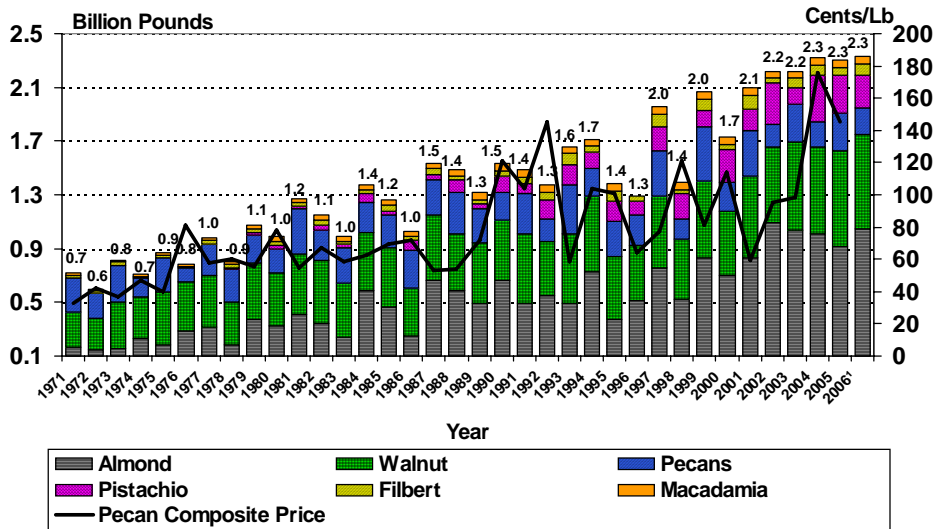
USDA's initial total tree nut forecast for 2006/07 season at a record 2.332 billion pounds is up 1.2 percent from 2.303 billion pounds produced last year. (See Figure 2). While the production forecast is up 14.8 percent for almonds and up 48.6 percent for hazelnuts, the estimate of walnut production at 700 million pounds is down 1.4 percent from 710 million pounds produced last year.

Last year's smaller almond crop is attributed to unfavorable weather conditions during pollination. Rains caused trees in many orchards to have early petal-fall as well as inhibited bee activity necessary for pollination. This year's almond crop has not experienced major adverse growing problems.

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

FIGURE 2: U.S. TREE NUT PRODUCTION, 1971-2006¹

MACADAMIA, PISTACHIO, ALMOND, FILBERT, WALNUT AND PECAN



¹Initial estimate; USDA-NASS Crop Report, October 12, 2006