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Pecan Production Estimate of 319 Million Pounds, Up 113 Million Pounds from Last Year Market Opens to Good Price Bids for Good Quality Pecans

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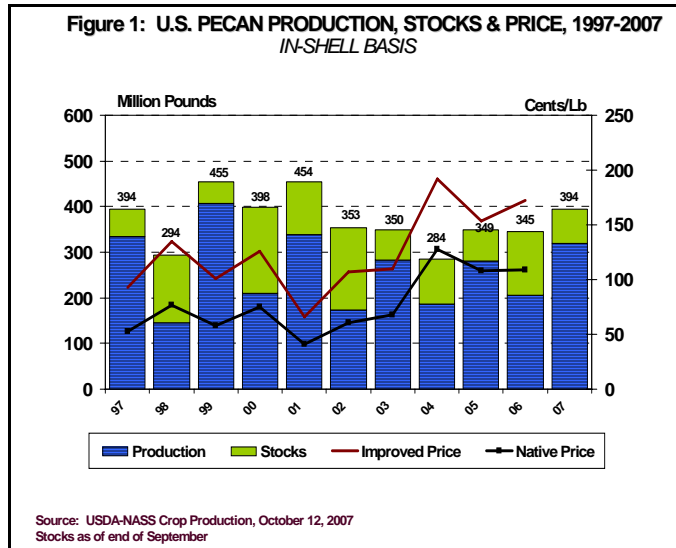
USDA's initial estimates of pecan production for the 2007/08 season, released on October 12, 2007, at 319 million pounds is up 55 percent from 206.3 million pounds produced last year (see table 1). The market opened to good price bids for good quality pecans for the gift pack/fund market. Carry-in stocks of about 74 million pounds, as of the end of September '07, are down 64 million pounds (down 46 percent)

2007 Forecasts	Average Industry ¹ Forecast 2007	NPSA ² 9/07 Estimate	USDA 7/07 (06 Final Prod)	USDA ³ 10-12-07 Forecast	% Percent Change 06/07
<i>Million Pounds</i>					
Alabama	8.0	13.0	6.0	11.0	83.3%
Arizona	21.5	23.5	14.0	23.0	64.3%
Arkansas	2.1	3.0	2.2	1.6	-27.3%
California	3.6	3.8	3.4	4.2	23.5%
Florida	2.1	2.5	0.5	1.0	100.0%
Georgia	96.8	125.0	42.0	100.0	138.1%
Kan/Mo.	0.3	1.0	3.1	0.2	-93.5%
Louisiana	11.5	12.5	21.0	12.0	-42.9%
Mississippi	3.3	4.5	2.5	3.0	20.0%
New Mexico	69.0	80.0	46.0	71.0	54.3%
N. Carolina	0.3	0.4	0.5	0.6	20.0%
Oklahoma	18.0	22.0	17.0	20.0	17.6%
S. Carolina	0.6	1.0	1.1	2.0	81.8%
Texas	70.0	73.0	47.0	70.0	48.9%
Total U.S. Estimate	307.2	365.2	206.3	319.6	54.9%

¹ LA Producers, LA Growers, TX Pape, and TX Brookshier
² National Pecan Sheller's Association Estimate
³ SOURCE: USDA-NASS, Crop Production Report, October 12, 2007

from carry-in stocks of about 138 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 394 million pounds, up about 49 million pounds (up 14.3 percent) from supplies of about 345 million pounds at this same time, a year ago and up 12.9 percent from domestic supplies of about 349 million pounds at this same time in 2005. (See Figure 1).

Given that 2004's record high prices were influence by a low off-year crop of 186 million pounds and prices strengthened this past, off-season year, after showing some weakness in 2005, the estimate of total supplies of 394 million pounds does not appear significantly out of line in terms of



current demand. Domestic supplies averaged 336 million pounds during the past five seasons when prices showed significant strength. U.S. exports have increased recently and should increase this coming season. A relatively weak dollar in terms of exchange rates with pecan importing countries, such as Canada, will

make pecans less expensive and more attractive to importing countries. Exports to China increased significantly this past season and early interest from China indicates that exports could increase further. The market may falter slightly but should remain relatively strong, especially since the U.S. economy is prospering. 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, and the collapse of the stock market. Markets for other activities such as travel, cattle, etc. were similarly influenced. The national economic situation has changed completely since 2001.

Imports

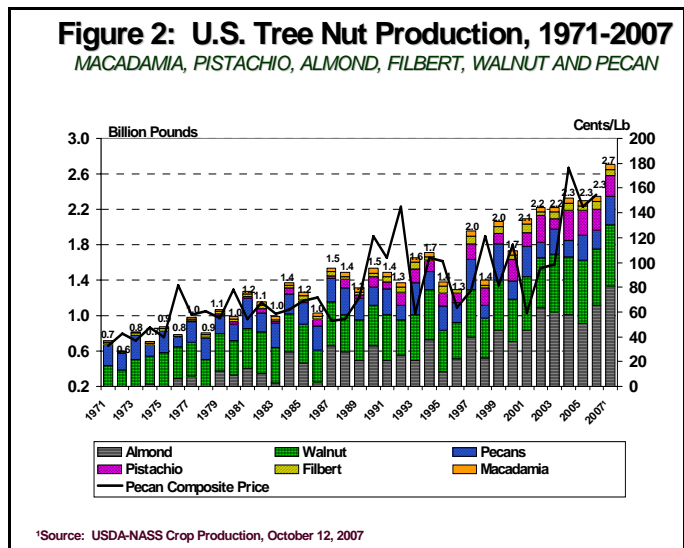
In terms of the pecan crop in Mexico, the principal pecan exporter to the U.S., USDA's Foreign Agricultural Service (FSA), August 29, 2007, forecast for Mexico's 2007/08 marketing year (Oct.-Sept.) crop at 166.8 million pounds is up 12.1 percent from 149.4 million pounds produced during the 2006/07 marketing year. Pecan imports from Mexico were averaging about 60-72 million pounds, but have increased to about 100 million pounds during the past three 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 2007, Mexico plans to import about 27.1 million pounds of pecans this coming season, with the U.S. as a principal supplier.

Tree Nuts

USDA's initial total tree nut forecast for 2007/08 season at a record 2.7 billion pounds is up about thirteen percent from 2.343 billion pounds produced last year. (See Figure 2).

Almond production, forecast at a record 1.33 billion pounds, is up 16.2 percent from 1.115 billion pounds produced last year and accounts for the large portion of the increased forecast. The estimate of walnut production at 692 million pounds is



up 7.5 percent from 640 million pounds produced last year. Almond production will account for close to 50 percent of total U.S. tree nut production and together with walnuts will account for 74 percent of total U.S. tree nut production. Pecans will only comprise about 12 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.