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U.S. Pecan Exports Impact the Economy

by Flynn Adcock

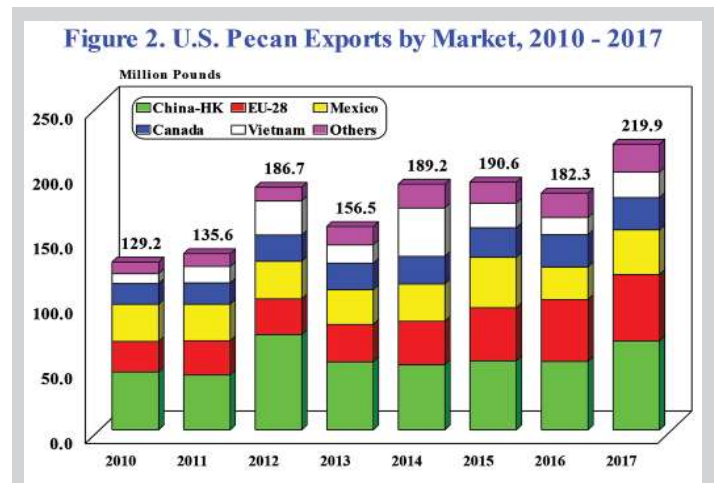
Continued strength in U.S. pecan exports highlights the overall importance of the industry and the role that exports have in stimulating employment and economic activity throughout the economy. U.S. pecan exports have increased significantly over the last decade, increasing 250 percent in value and more than doubling in volume. Pecan exports set new records in 2017 for both value and volume (Figure 1). This growth represents a 30 percent increase over 2016 and is more a 160 percent higher than the

consumers have emerged in Asia, turning to the United States and other countries to supply their growing need for foods, and not only staples, but snack foods and luxury items as well.

Spurring recent export growth have been strong international demand, the continued growth of Asia as a market for U.S. pecans, and significant growth of exports to the European Union. Figure 2 illustrates the diversity and growth of the U.S. pecan export market. Outside of taking a dip in 2013, which were



Source: Foreign Agricultural Service, USDA; Volume on an In-Shell Equivalent Basis.



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value of pecan exports in 2010. The volume of pecans exported also has increased, going from 129 million pounds (in-shell basis) in 2010 to nearly 220 million pounds in 2017. Export volumes through September 2018 were thirteen percent ahead of last year's pace with slightly lower prices.

Pecan exports represent about seventy percent of total U.S. production in past three years, up from about half earlier in the decade, making the industry even more dependent on the global market. This is important for several reasons. First, domestic pecan use has exhibited little growth over the past two decades and seems to have stagnated at about 270 million pounds annually. Thus, exports represent a major source of demand. Second, exports translate into economic growth and job creation, not only on the farm, but also for non-farm sectors. Finally, new

still the second highest pecan exports on record up until that time, U.S. pecan exports have enjoyed consistent growth through recent years. Even during 2016, when the volume of U.S. pecan exports dropped

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slightly, the value of exports continued to increase.

In value terms, China/Hong Kong accounted for nearly one-third of all U.S. pecan exports in 2017 with a value of \$197 million (Figure 3). The European Union, accounting for about 18 percent of U.S. pecan exports in 2010, now accounts for a quarter of U.S. exports reaching \$163.5 million during 2017. Canada and Mexico also remain top purchasers of U.S. pecans, accounting for 25 percent of all exports in 2017 though their combined market was nearly twice the size of their 2010 combined purchases when

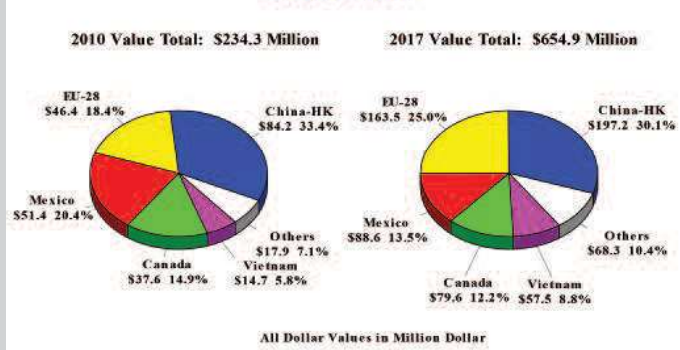
their combined share was 35 percent. While Vietnam is a relatively newcomer to the pecan market, export sales there reached \$57.5 million in 2010, nearly four times that of 2010.

There are two main pecan export markets – the market for in-shell pecans and the market for shelled pecans. China/Hong Kong, Vietnam, and Mexico import mostly in-shell pecans from the United States while Canada and the European Union import primarily shelled pecans. Many of the pecans shipped to Mexico are shelled in Mexico and then exported back to the United States, mainly via the El Paso, Texas port-of-entry.

During 2017, in-shell pecans had an average unit value of \$2.81/lb. while shelled pecans had a unit value of \$6.37/lb. Unit value is not the same as price but is instead the total export value divided by total export volume. It is, however, similar to average pecan price plus the average transportation and export services cost per pound. As expected, the shelled pecan unit value is much higher than the unit value of in-shell pecans as two pounds of in-shell pecans are needed to produce one pound of shelled pecans, additional processing is involved, and higher quality

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Figure 3. Composition of U.S. Pecan Exports 2010 & 2017



Source: Foreign Agricultural Service, USDA



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pecans are shipped to Canadian and European customers.

One of the more important contributions of exports is their impact on rest of the economy, creating employment and economic activity throughout the nation. Pecan exports are no exception. In 2010, for example, pecan exports of \$234.3 million supported 6,199 jobs and \$765.6 million in total economic output.

As exports expanded to \$654.9 million in 2017, more jobs and economic activity were required to support these exports. The total economic output supported by pecan exports grew to \$1.77 billion, more than a billion dollars above 2010. Approximately

Table 1. Economic Impacts of U.S. Pecan Exports, 2017
Values in Million Dollars, Employment in Jobs

Category	Output	Employment
Pecan Production	\$595.9	3,605
Pecan Shelling & Packing	\$37.0	741
Transportation & Export Services	\$21.9	162
Input Purchases	\$412.4	3,237
Household Spending	\$698.3	4,288
Total	\$1,765.5	12,033

\$595.9 million of this was attributed to pecan production, \$37.0 to pecan shelling and packing, and \$21.9 million to transportation and export services (Table 1). The remaining impacts include real estate with \$107.6 million; business services, \$99.4 million; financial, \$93.8 million; health care, \$67.3 million; wholesale trade, \$64.6 million; agricultural chemicals and fertilizers, \$52.3 million; and retail stores, \$51.0 million. About 37 percent of these activities were concentrated in input supply sectors while the remaining 63 percent were induced impacts, or household expenditures from income associated with exports.

Approximately 12,033 jobs were required to support pecan exports in 2017, which is nearly twice the jobs than were required in 2010. Of these jobs, 3,605 were located in pecan production, 741 in pecan shelling and packing, and 162 in transportation and export services. About 3,237 were in input supply sectors and 4,208 were associated with increased household spending. Approximately 784 jobs were in business services, 594 in retail stores, 541 in health care, 478 in restaurants, and 362 in financial services.

In summary, the U.S. pecan industry is heavily reliant on the global market to sell both in-shell and shelled pecans. Further, U.S. pecan exports to our North American partners, Asia and Europe support

significant economic activity through the economy. Thus, the continued growth of the international pecan market is important for pecan producers and non-producers alike.

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