

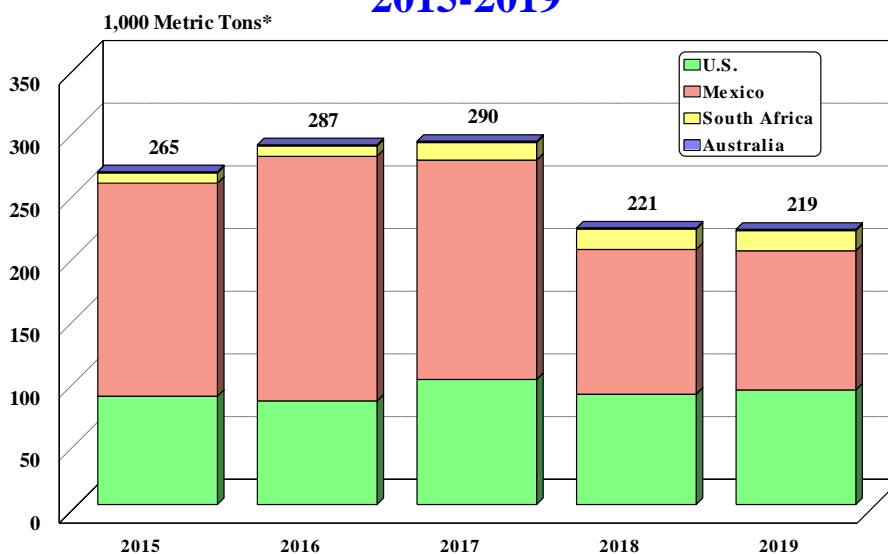


GLOBAL MARKETS FOR TEXAS PECANS¹

The global export market for pecans was estimated to average 281 thousand metric tons (TMT) from 2015 through 2017 before falling to 220 TMT in 2018 and 2019. These exports are on an in-shell basis as pecans are shipped both in-shell and as shelled, ie, nut only. One unit of shelled pecans is equal to two units of in-shell pecans. As export markets for pecans are discussed in more detail, separate discussions will be presented for in-shell and shelled pecan exports.

U.S. pecan exports compete mainly against Mexican pecans as the two countries accounting for over 90 percent of world pecan exports, based on available data. South Africa and Australia are trying to grow their pecan sectors and exports. Even though they are competitors, U.S. pecans are exported to Mexico and Mexican pecans are exported to the United States. This relationship will be discussed in more detail later. Finally, while consistent international data for pecans is thin, every attempt was made to provide as full a picture as possible of the global market for Texas pecans.

World Pecan Exports, Major Exporters 2015-2019

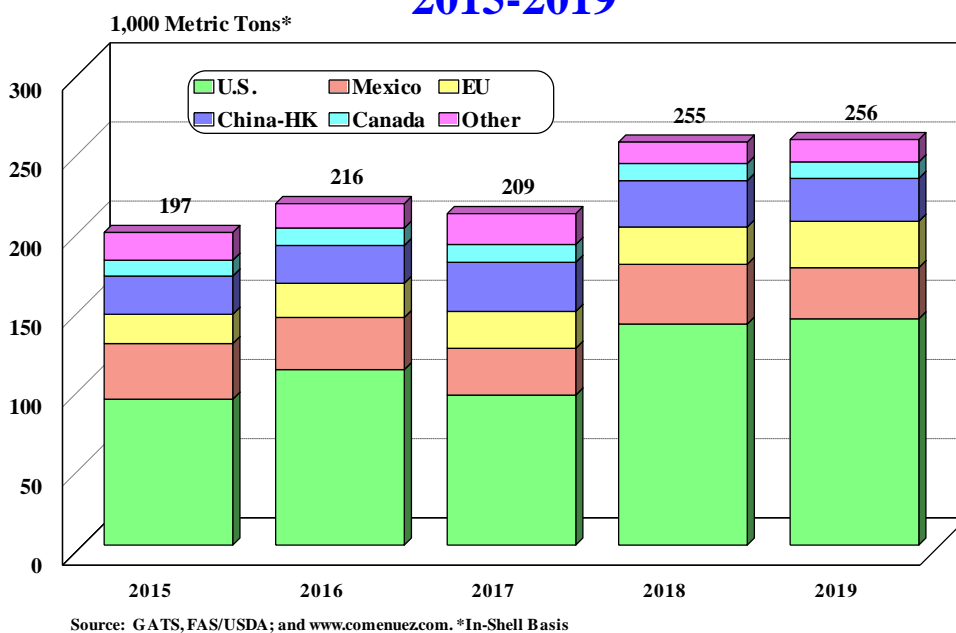


Source: GATS, FAS/USDA; www.comenueze.com; and GAIN Report, FAS/USDA. *In-Shell Basis

¹ *Global Markets for Texas Pecans* is a report of the project *Export Market Analysis for Selected Texas Commodities*, funded by the Texas Department of Agriculture. For more information, please contact the Center for North American Studies, Department of Agricultural Economics, Texas A&M AgriLife Extension Service, College Station, TX, 77843-2124. 979-845-3070.

While the United States and Mexico are the two leading producers of pecans, they are also the leading importers of pecans due to the amount of U.S.-Mexico pecan trade. During 2019, world pecan imports are estimated at 256 TMT on an in-shell basis. Import volumes have grown in recent years due in large part to Mexico's increasing participation in the market. Note that imports are estimated to be 47 TMT higher than exports. This is due mainly to the lack of sufficient pecan data reported worldwide and differences in reporting.

World Pecan Imports, Major Importers 2015-2019



However, reliable data is available for U.S. and Mexican trade. Review of these data show that U.S. exports to Mexico of in-shell pecans were 22.3 TMT during 2019. Depending on the year, 20-30% of these exports, or 7.8 TMT during marketing year 2019/20, were destined for shellers in Mexico which then returned as shelled pecans back to the United States. In total, U.S. imports of shelled pecans totaled 53.5 TMT during 2019 while imports of in-shell pecans from Mexico were 35.5 TMT. U.S. exports of shelled pecans to Mexico were 2.7 TMT. So while the United States and Mexico are the world's premier producers of pecans, they also trade among each other, with the United States accounting for about 69 percent of Mexican pecan exports and Mexico accounting for about 28 percent of U.S. pecan exports.

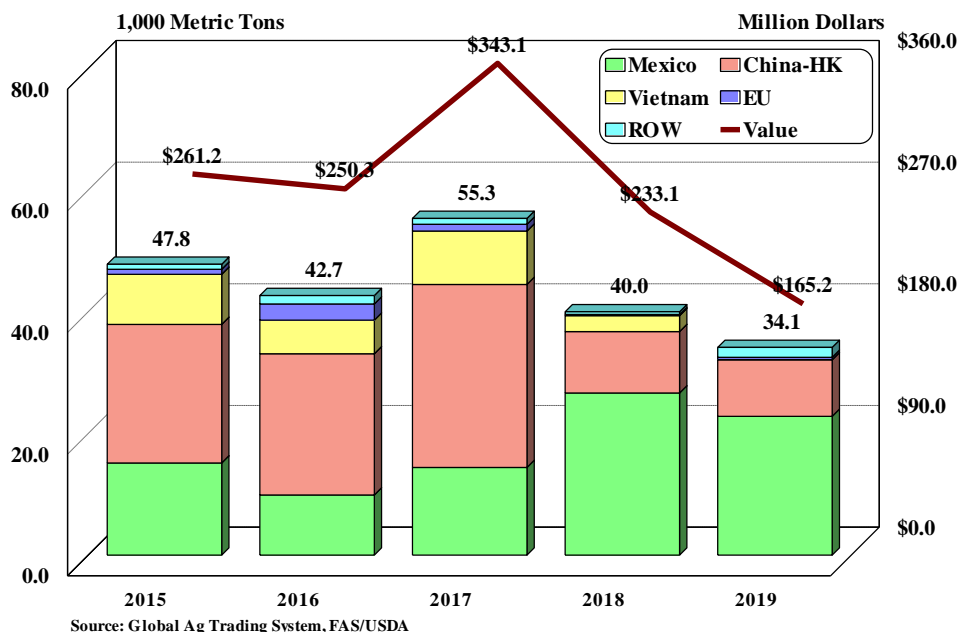
Depending on the year, about 20-30% of U.S. in-shell pecan exports to Mexico are destined for Mexican shellers and returned to the United States as shelled pecans.

U.S. In-Shell Pecan Exports

U.S. in-shell pecan exports have declined over the past two years after peaking in 2017 at 55.3 TMT. This decline is due in large part to reduced exports to China as a result of retaliatory tariffs and increased competition from Mexico. U.S. in-shell pecan exports during 2019 of 34.1 TMT and valued at \$165.2 million were lowest in terms of both volume and value during the recent

five-year period. Important foreign markets for in-shell pecans during 2019 include Mexico (22.8 TMT), China (9.3 TMT), and the European Union (EU) (373 metric tons (MT)). All of these markets have dropped year over year and Vietnam also has greatly reduced purchases of U.S. pecans; however, Mexico increased purchases of U.S. in-shell pecans during 2018 and 2019.

U.S. In-shell Pecan Exports, 2015-2019



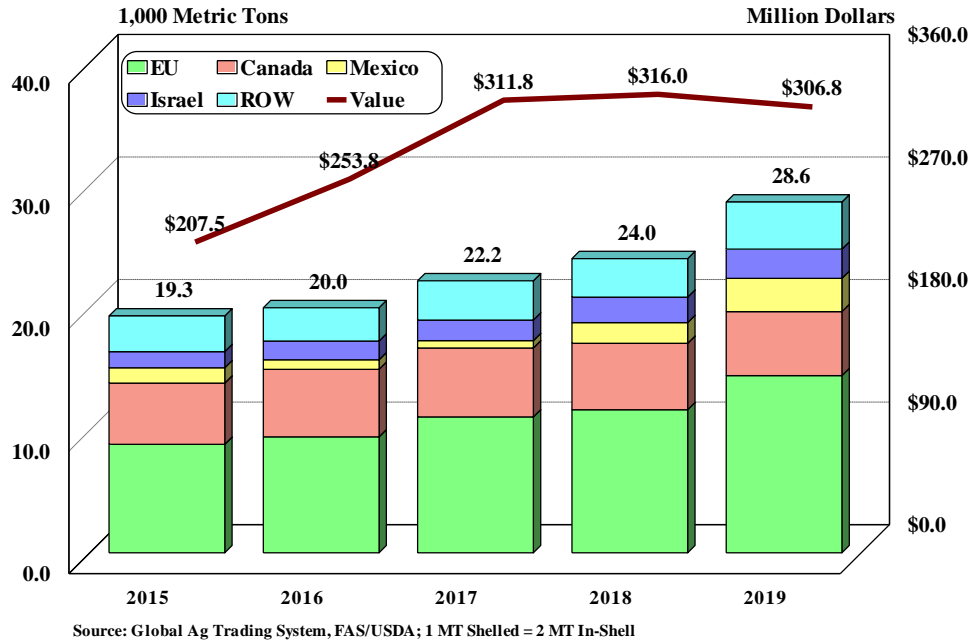
U.S. shelled pecan exports have been growing in recent years, reaching an all-time high in volume and the third highest value ever in 2019. A major reason for increased exports is China’s decreased imports of U.S. in-shell pecans following the levy of high retaliatory tariffs on U.S. pecans during 2018. As these in-shell pecans remained in the United States instead of being exported, the pecans were shelled domestically resulting in more shelled pecans available for export. This resulted in a lower price for U.S. shelled pecan exports, making them more attractive in foreign shelled pecan markets.

A major reason for increased exports is China’s decreased imports of U.S. in-shell pecans following the levy of high retaliatory tariffs on U.S. pecans during 2018. These pecans were instead shelled domestically resulting in a lower price for U.S. shelled pecan exports

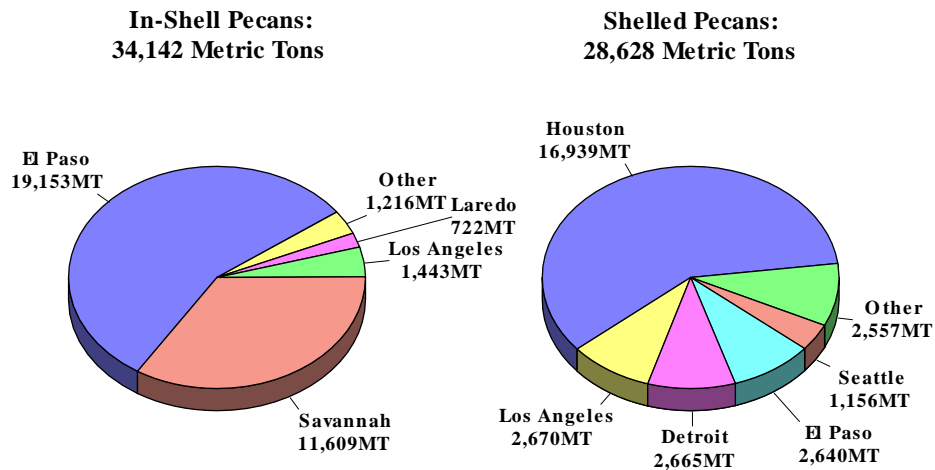
As U.S. pecans are shipped to a wide variety of foreign markets, many U.S. ports are utilized. The El Paso Port District is the largest district for U.S. in-shell pecan exports due to the long-term relationship between U.S. in Mexico in which U.S. in-shell pecans are exported to Mexico, many of which are returned to the United States as shelled pecans. Savannah is the next largest port for in-shell pecan exports with China. The Houston Port District is the leading port district for shelled pecan exports with most being shipped to the EU. The Los Angeles District is the second leading district with China as the leading destination. U.S. shelled pecan exports shipped through the Detroit Port District are bound for Canada; those shipped through the El Paso and Laredo Districts are bound for Mexico. Texas in-shell pecan exports mainly go to the Mexico through El Paso. In fact, the only Texas in-shell pecans allowed entry into Mexico must be

grown in El Paso, Hudspeth, Culberson, Jeff Davis and Presidio due to Mexican phytosanitary regulations which meant to protect pecan production in Mexico. Texas shelled pecan exports are shipped mainly to the EU with smaller amounts being exported to Mexico.

U.S. Shelled Pecan Exports, 2015-2019



U.S. Pecan Exports by Port District, 2019



Source: GATS, FAS/USDA

Most U.S. pecans are grown in New Mexico, Georgia, Texas, Arizona, and Oklahoma, with total production approaching 120 TMT in 2019. There is production in as many as ten additional states, however, there are too few commercial producers to be included in official reports due to nondisclosure issues. Pecan production during 2018 was significantly lower than the 2000–2017 average annual production of 121.6 TMT due to Hurricane Michael impacting the 2018 Georgia crop. However, production returned to near average in 2019.

U.S. Pecan Production by State, MT

	<u>2017</u>	<u>2018</u>	<u>2019</u>
New Mexico	41,731	41,322	43,817
Georgia	48,534	31,752	31,298
Texas	22,226	15,241	19,323
Arizona	12,701	12,655	16,556
Oklahoma	6,350	4,082	8,981
Other	6,736	5,139	0
Total	138,278	110,191	119,975

Source: National Agricultural Statistics Service, USDA

In addition to allowing in-shell pecans grown in the five western counties to enter Mexico, Texas in-shell pecan exports to Mexico also require a phytosanitary certificate (PC) and an import permit (IP). Either fumigation using methyl bromide or a cold treatment for pests must be performed and noted on the PC for in-shell pecan exports to Mexico.

Shelled pecan exports also require a PC and an IP, but no pest treatments are required. For exports to the EU, China, and Canada, only a PC is needed with origin noted for exports to Canada. Israel does not allow imports of in-shell pecans, but do allow shelled pecan imports so long as a PC and certificate of origin accompany the shipment.

An IP is obtained by the foreign importer. A PC may be obtained by contacting the USDA Animal and Plant Health Inspection Service (APHIS). Contact information for the Texas APHIS is found at: https://www.aphis.usda.gov/aphis/ourfocus/planthealth/sa_export/sa_ecs/texas/.

U.S. Pecan Exports to Mexico

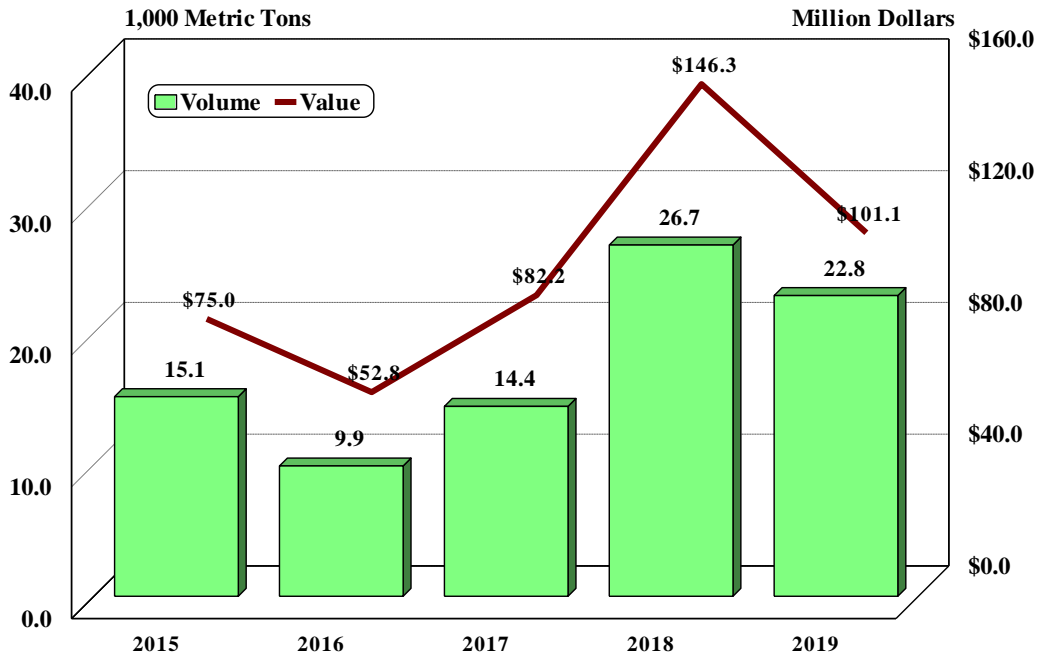
Mexico is the largest export market for U.S. in-shell pecans. Following several years of growing sales, U.S. in-shell pecan exports decreased slightly to 22.8 TMT valued at \$101.1 million in 2019. Mexico, which recently surpassed the United States as the leading producer of pecans, does not import in-shell pecans from any other country. While some of the U.S. in-shell pecans imported by Mexico are to meet domestic demand, other amounts are to be shelled and returned to the United States.

Mexico is the third largest export market for U.S. shelled pecans, growing to 2.7 TMT valued at \$25.0 million in 2019. As with in-shell pecans, Mexico does not import in-shell pecans from any other country. Most U.S. shelled pecans imported by Mexico are to meet domestic demand.

Under the U.S.-Mexico-Canada Agreement (USMCA), which recently replaced NAFTA, Mexican tariffs on U.S. pecans are set at zero percent. While Texas in-shell pecan exports to

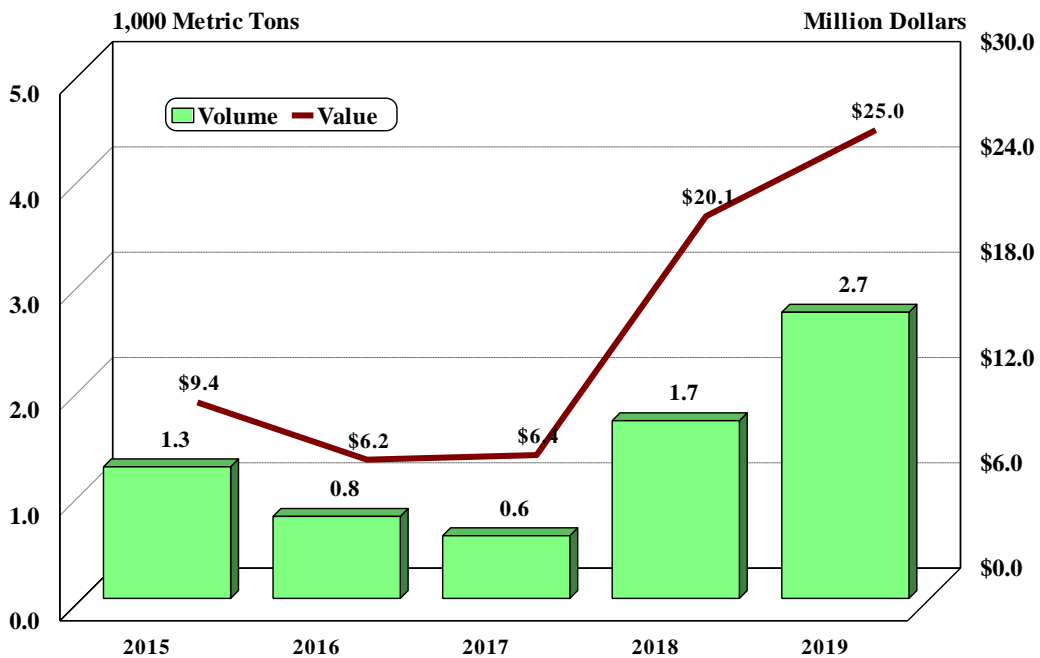
Mexico are restricted to pecans grown in the five western-most counties of Texas, Texas shelled pecans from any county may be exported to Mexico.

U.S. In-Shell Pecan Exports to Mexico, 2015-2019



Source: GATS, FAS/USDA

U.S. Shelled Pecan Exports to Mexico, 2015-2019

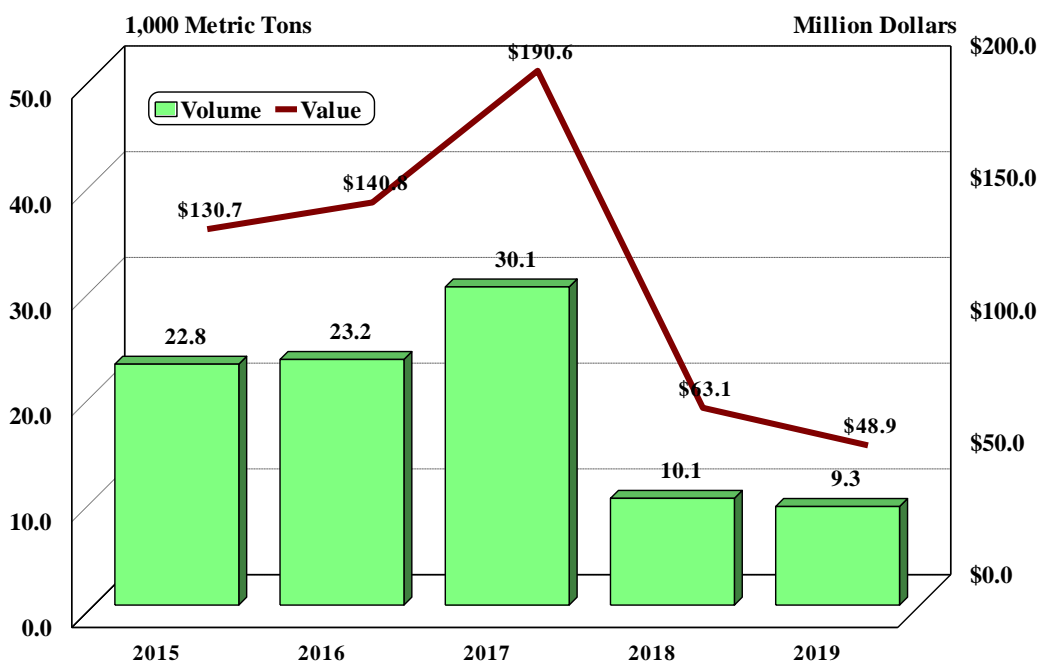


Source: GATS, FAS/USDA

U.S. In-Shell Pecan Exports to China

Another important market for U.S. in-shell pecan exports is China, which includes Hong Kong. Prior to 2018, China was the leading importer of U.S. shelled pecans. During 2017, U.S. pecan exports to China reached 30.1 TMT valued at \$190.6 million, both all-time peaks. In July 2018, China increased their import duty on U.S. pecans from 7 percent to 47 percent tariff as part of a tariff war between the United States and China, which severely curtailed U.S. pecan exports to China. As of February 14, 2020, the tariff was reported as being 52 percent. As a result, U.S. in-shell pecan exports to China have dropped to an average of 9.7 TMT the past two years and an average value of \$56 million.

U.S. In-Shell Pecan Exports to China-HK, 2015-2019



Source: GATS, FAS/USDA

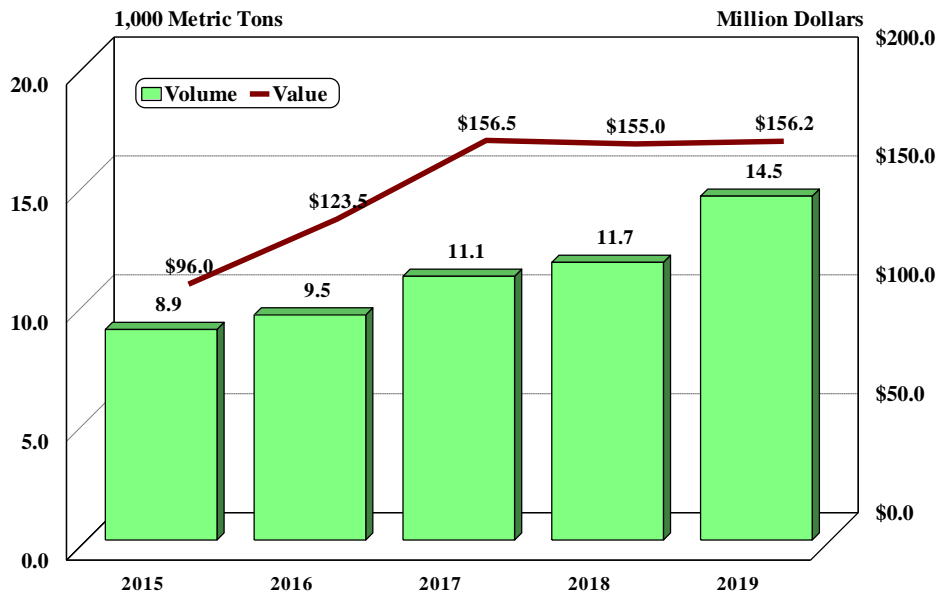
In order to meet demand for pecans, China has turned to Mexican and South African pecan exports. Mexico reports 16 percent of their pecan exports now ship to China. This means during 2018 and 2019, Mexican pecan exports to China averaged 9.9 MT, slightly higher than U.S. pecan exports to China. Much of the reason for the increased Chinese pecan imports from Mexico is that Mexican pecans face a 7 percent tariff, the same as U.S. pecans faced before July 2018.

South Africa, which has been growing their pecan production and exports 75–90 percent of their production, is moving even more in-shell pecans to China than Mexico. 2018 and 2019 South African pecan exports to China were estimated at about 12.2 TMT, or 75 percent of all South African pecan exports. South Africa also faces the lower 7 percent tariff in China. As long as U.S. pecans face a tariff in China more than seven-times that of the two largest competitors, U.S. in-shell pecan exports to China will likely remain at historical lows.

U.S. Shelled Pecan Exports to the EU

While the EU imports small amounts of U.S. in-shell pecans, it is largely a market for U.S. shelled pecans. In fact, the EU is consistently the largest market for U.S. shelled pecans with 2019 pecan exports of 14.5 TMT valued at \$156.2 million accounting for half of U.S. shelled pecan exports. The EU typically accounts for about half of U.S. shelled pecan exports, and U.S. shelled pecans account for about 97 percent of the EU pecan import market. U.S. shelled pecans face no tariff to enter the EU, and require only a PC to enter. Thus, barriers to U.S. shelled pecan exports to the EU are low. And, as most U.S. shelled pecan exports to the EU are shipped via the Houston Port District, Texas shelled pecans may have a transportation advantage to the EU.

U.S. Shelled Pecan Exports to EU, 2015-2019



Source: GATS, FAS/USDA

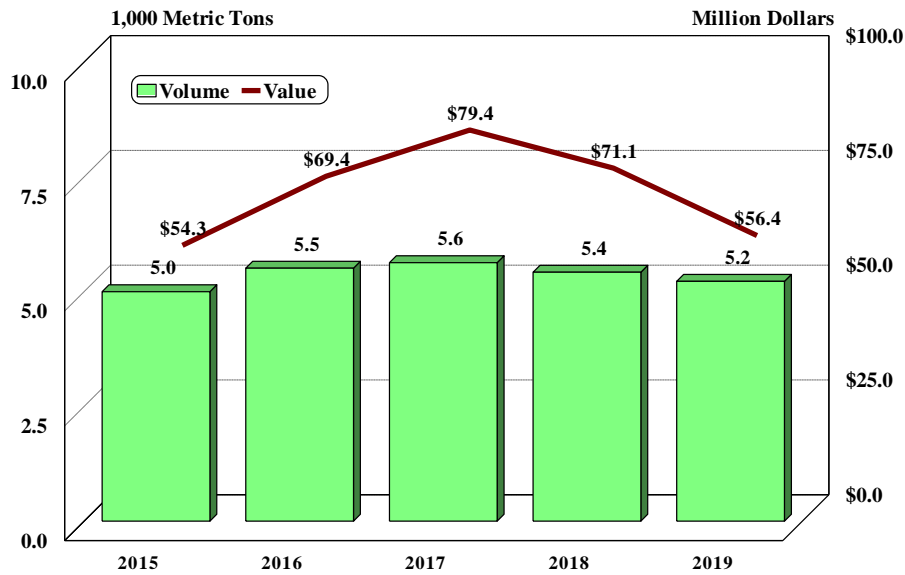
U.S. Shelled Pecan Exports to Canada

Canada is typically the second largest export market for U.S. shelled pecan exports. During 2019, U.S. shelled pecan exports to Canada decreased slightly to 5.2 TMT. The value of these exports dropped to \$56.4 million, a much larger value decline following a slightly smaller decline in 2018. Again, this decrease in value is due in large part to lower in-shell pecan exports to China which resulted in lower U.S. shelled pecan prices.

U.S. shelled pecans currently face no competition in Canada. In addition to facing no tariff, there are long-term relationships between U.S. pecan shippers and Canadian buyers. However, Mexican, South African, and Australian pecans also face no tariff in Canada. This implies that U.S. pecan exporters will need to work to maintain their position in the Canadian market as our competitors grow their pecan industries and exports.

U.S. in-shell pecan exports dominate both the EU and Canadian markets for shelled pecans, and face no tariff in either market.

U.S. Shelled Pecan Exports to Canada, 2015-2019

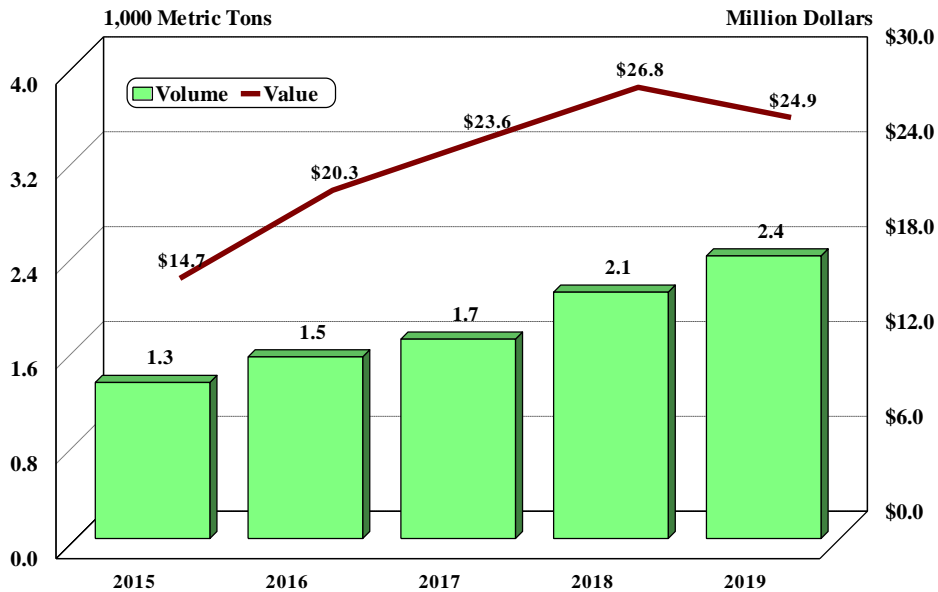


Source: GATS, FAS/USDA

U.S. Shelled Pecan Exports to Israel

Israel is the third largest export market for U.S. shelled pecans. Prior to 2019, Israel was the third leading market, but while U.S. shelled pecan exports to Israel grew during 2019, exports to Mexico grew more. During 2019, U.S. shelled pecan exports to Israel increased to 2.4 TMT while value dropped slightly to \$24.9 million, again due to lower unit values. U.S. shelled pecans face no tariff in Israel while Mexico, the largest competitor, faces a 5 percent tariff. Israel does not allow in-shell pecan imports.

U.S. Shelled Pecan Exports to Israel, 2015-2019



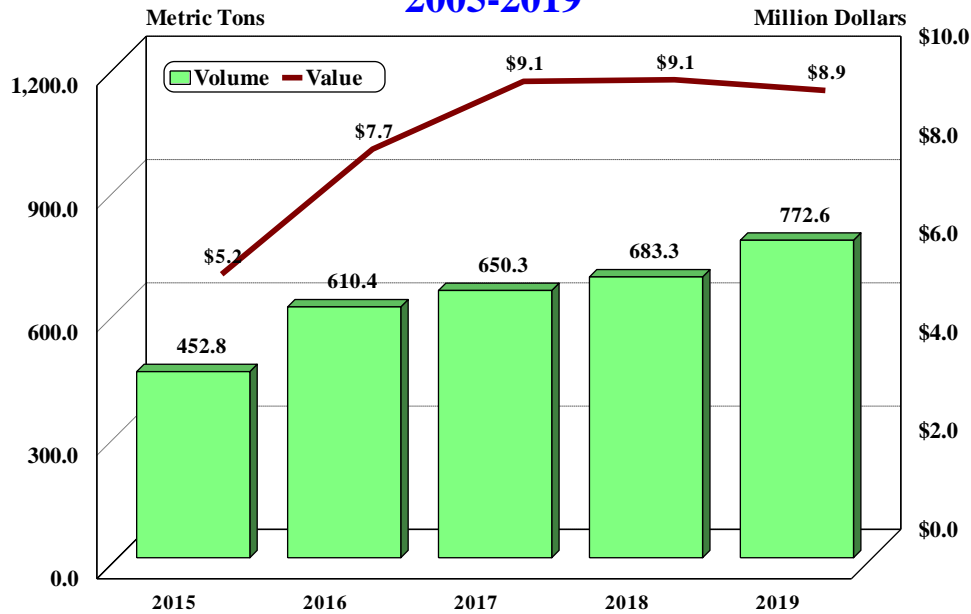
Source: GATS, FAS/USDA

U.S. Pecan Exports to South Korea

While U.S. almonds and walnuts dominate U.S. nut exports to South Korea, the market is becoming a larger market for U.S. pecan exports, with most being shelled pecans. During 2019, U.S. exports of shelled pecans to South Korea reached 772,600 MT with a value of \$8.9 million. That represents a 71 percent increase over 2015 shelled pecan exports to South Korea. South Korea is also a growing market for U.S. in-shell pecans, reaching 302,400 MT valued at \$1.92 million in 2019. As a result, the USDA Foreign Agricultural Service Agricultural Trade Office in Seoul is targeting the South Korean market for U.S. nut exports, including pecans. U.S. pecans face no tariffs in South Korea and a certificate of origin and a PC is required for entry into the market for pecans from a registered U.S. facility.

The South Korean market for U.S. pecan exports is growing and the USDA Foreign Agricultural Office is making efforts to increase exports.

U.S. Shelled Pecan Exports to South Korea, 2005-2019

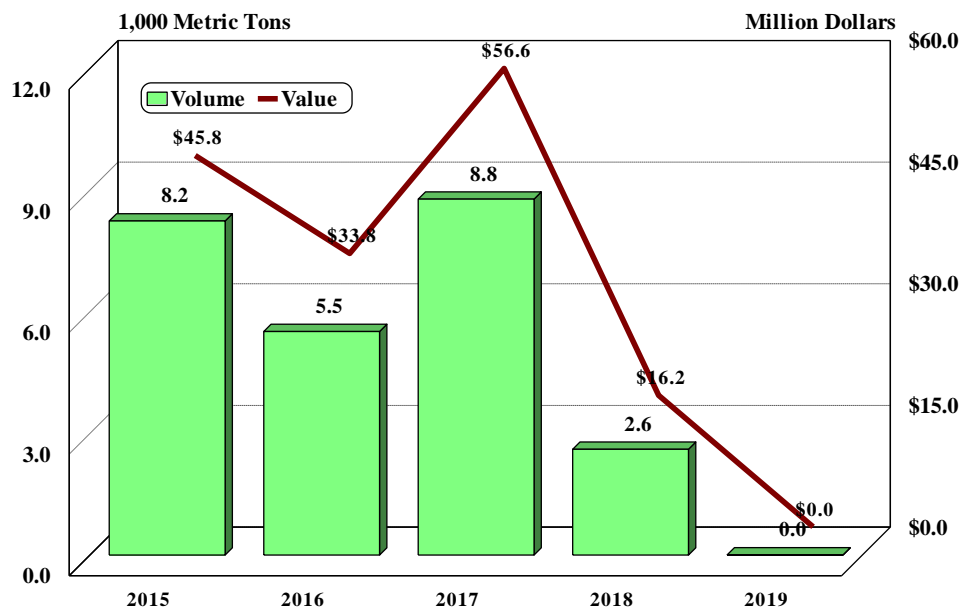


Source: GATS.FAS/USDA

U.S. Pecan Exports to Vietnam

Prior to 2018, Vietnam was a relatively large market for U.S. in-shell pecan exports prior to 2018, but exports there sharply declined during 2018 and no in-shell pecan exports were reported during 2019 or through September 2020. This coincides with the decline of in-shell pecan exports to China. Some assert that many Vietnamese imports transship to China. If that is the case for in-shell pecans, then the high tariffs on U.S. in-shell pecans imposed by China may have negatively impacted U.S. in-shell pecan exports to Vietnam.

U.S. In-Shell Pecan Exports to Vietnam, 2015-2019



Source: GATS, FAS/USDA

On a brighter note, the Vietnamese market for U.S. pecans may be transitioning to a shelled pecan market. Vietnam imported nearly \$1.5 million during 2019 and \$1.9 million through the first nine months of 2020. Most of these pecans will likely remain in Vietnam as China is an in-shell pecan market. It may be that, going forward, U.S. pecan exporters should focus on shelled pecans when considering Vietnam.

High tariffs imposed by China on U.S. pecan exports may have negatively impacted U.S. pecan in-shell exports to Vietnam - U.S. exporters may want to focus on shelled pecan exports to that market

Conclusions

Numerous U.S. pecan export markets and one market that maybe in transition have been discussed. All of these markets offer opportunities and challenges to exporters of Texas pecans. Some markets focus only on in-shell pecans while others focus on shelled pecans. Only with Mexico are there significant phytosanitary requirements, and only with China are there significant tariff issues. As Mexico is the main competitor in pecans with its own sector to protect from pests and diseases, it is unlikely that Mexico will reduce their phytosanitary requirements. However, if there is continued progress in tariff-reduction negotiations between the United States and China, a lower tariff may result for U.S. in-shell pecan exports to China, which may also help reinvigorate in-shell pecan exports to Vietnam.

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