



AMERICAN PECAN  
COUNCIL

# APC ROADMAP FOR FUTURE

Southeastern Pecan Growers Conference

2/23/2019

## Vision and strategic priorities

---

### Key messages for today

- Today, more than ever, the pecan industry is in need of a long-term strategic plan
- Together, we've crafted that plan, with input from you and others across the industry
- This strategic plan represents a shared vision for industry - for both growers and shellers
- It's comprised of five intertwined and reinforcing priorities to rally the industry
- Plan is not about mandating change
- Goal is to provide options and tools we can use to resolve long-standing challenges, with the hope these will be adopted as benefits are realized

# Overview of research & analysis – *Our findings are grounded in data & facts*

## Topics covered

Demand generation		Consumer behavior & perceptions
		Domestic demand across nuts
		Marketing best practices
		Go-forward demand generation
		International marketing strategy
Supply economics		Voice of pecan stakeholders
		Global supply, present & future
		Market economics & value chain
		Export market prioritization
		Options for modernizing industry

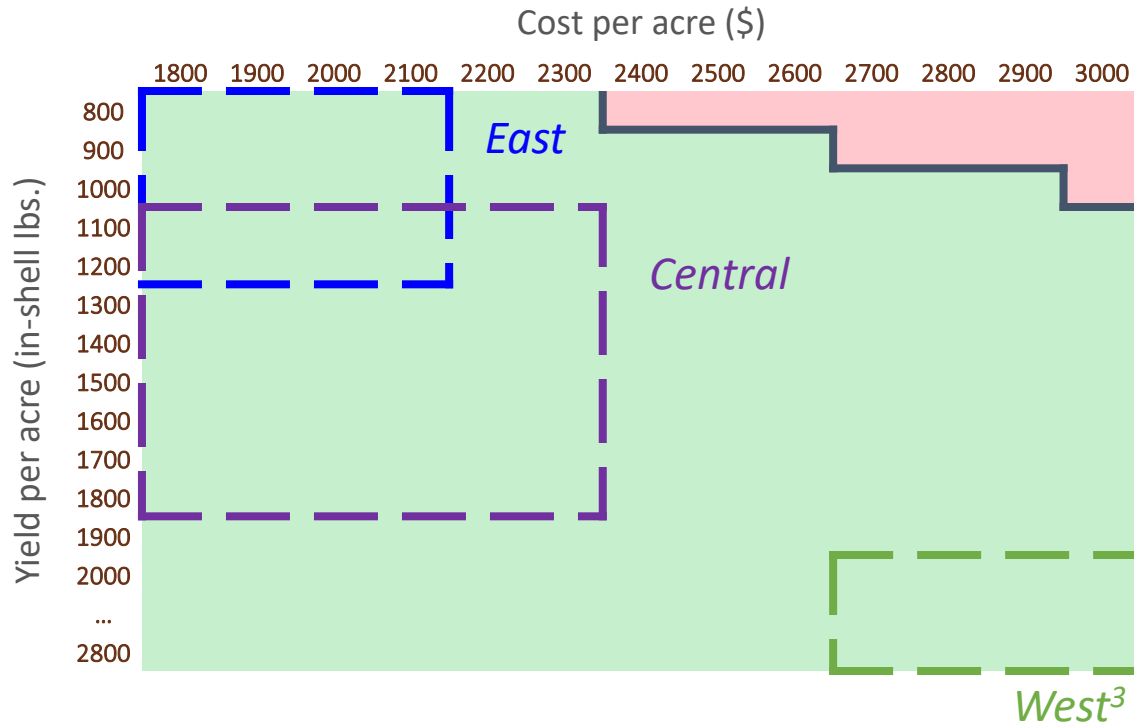
## Sources leveraged

<b>Belief audits</b>	<b>APC investment</b>
<ul style="list-style-type: none"><li>• 30+ interviews with pecan industry stakeholders</li><li>• 10+ interviews with commercial buyers and other tree nut experts</li></ul>	<ul style="list-style-type: none"><li>• 12 Officer Group meetings</li><li>• 12 Weekly check-ins</li><li>• 2 Working Group meetings</li><li>• Countless follow-up discussions</li></ul>
<b>Proprietary surveys</b>	<b>Internal knowledge base</b>
<ul style="list-style-type: none"><li>• 2,058-respondent consumer survey</li><li>• 152-respondent stakeholder survey</li></ul>	<ul style="list-style-type: none"><li>• Center for Customer Insight</li><li>• Agribusiness and Consumer experts</li><li>• Past case experience</li></ul>
<b>Market data, studies, and reports</b>	
<b>Tree nut industry</b>	<b>International organizations</b>
<ul style="list-style-type: none"><li>• US Pecan Growers Council</li><li>• National Pecan Shellers Association</li><li>• CA Admin. Committee for Pistachios</li><li>• American Pistachio Growers</li><li>• California Walnuts</li><li>• Almond Board of California</li><li>• Wonderful Pistachios</li><li>• Blue Diamond</li><li>• USDA</li></ul>	<ul style="list-style-type: none"><li>• IMF Economic Indicators</li><li>• WTO Tariff data</li><li>• Australian Dept. of Agriculture</li><li>• Comenuz</li><li>• Hong Kong Trade Development Council</li><li>• Food Research International</li></ul>
<b>3<sup>rd</sup>-party databases</b>	<b>Academia</b>
<ul style="list-style-type: none"><li>• INC Database and Statistical Yearbook</li><li>• GlobalData</li><li>• Euromonitor</li></ul>	<ul style="list-style-type: none"><li>• Multiple institutions including but not limited to:<ul style="list-style-type: none"><li>- University of California</li><li>- University of Georgia</li><li>- Texas A&amp;M</li><li>- New Mexico State University</li></ul></li></ul>

# Growing costs: High variance by region, differing ability to bear price swings

Profitability at market price of **\$3.00** per in-shell lb.

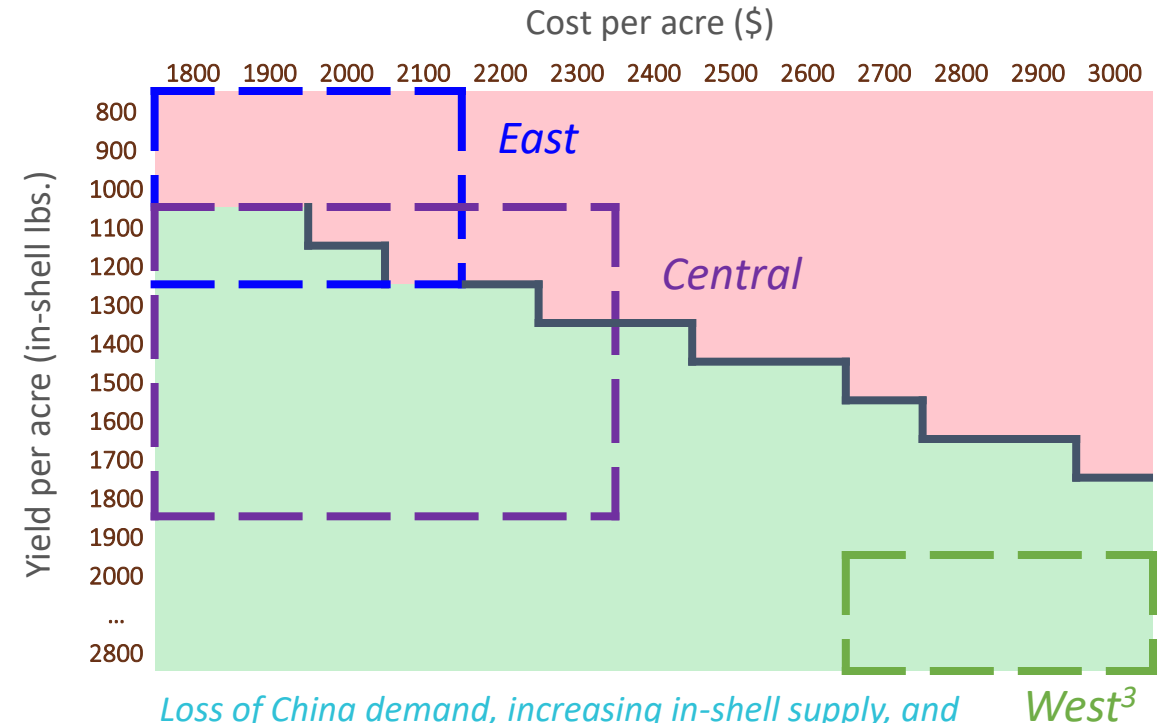
- Approx. 2017 max price<sup>1</sup>



- = Profitable cost/yield ratio
- = Unprofitable cost/yield ratio
- = Breakeven point

Profitability at market price of **\$1.75** per in-shell lb.

- Approx. 10-year low (ex. recession; inflation-adjusted)<sup>2</sup>



*Loss of China demand, increasing in-shell supply, and other factors could lower in-shell prices*

*Specific MX grower economics TBD, though structurally advantaged given lower costs*

1. Price / in-shell lb. paid by China of ~\$2.93 in 2017 2. Inflation-adjusted price of US average in-shell of \$1.73 in 2012 3. "West" includes West Texas  
Source: Nature's Finest Foods; USDA; UC Davis; UGA; Market interviews

# Production expense: Pecans more expensive to grow than other tree nuts

Regardless of region, pecans generally cost more to grow vs. other tree nuts given lower yield per acre



Pecans



Almonds



Walnuts



Pistachios

	Representative East	Representative West	Representative Almond cost	Representative Walnut cost	Representative Pistachio cost
Growing cost (\$/acre)	~2,000	~2,500	~3,300 to 4,900	~3,200 to 3,750	~3,750 to 3,900
<u>In-shell</u> yield (lbs/acre)	~1,000	~2,000	-	~5,000 to 6,000	~2,600 to 2,800
% meat	~45%	~55%	-	43.5% <sup>1</sup>	50%
<u>Meat</u> yield (lbs/acre)	~450	~1,100	~2,200 to 3,000	~2,200 to 2,600	~1,300 to 1,400
<u>Meat</u> growing cost (\$/lb)	~\$4.40	~\$2.30	~\$1.50 to \$1.70	~\$1.40 to 1.45	~\$2.80 to 2.90

~\$3.10-\$3.60  
Weighted Average

*Cost per pound highly variable—both across and within regions—given differences in scale, yield, weather, alternate bearing seasons, etc.*

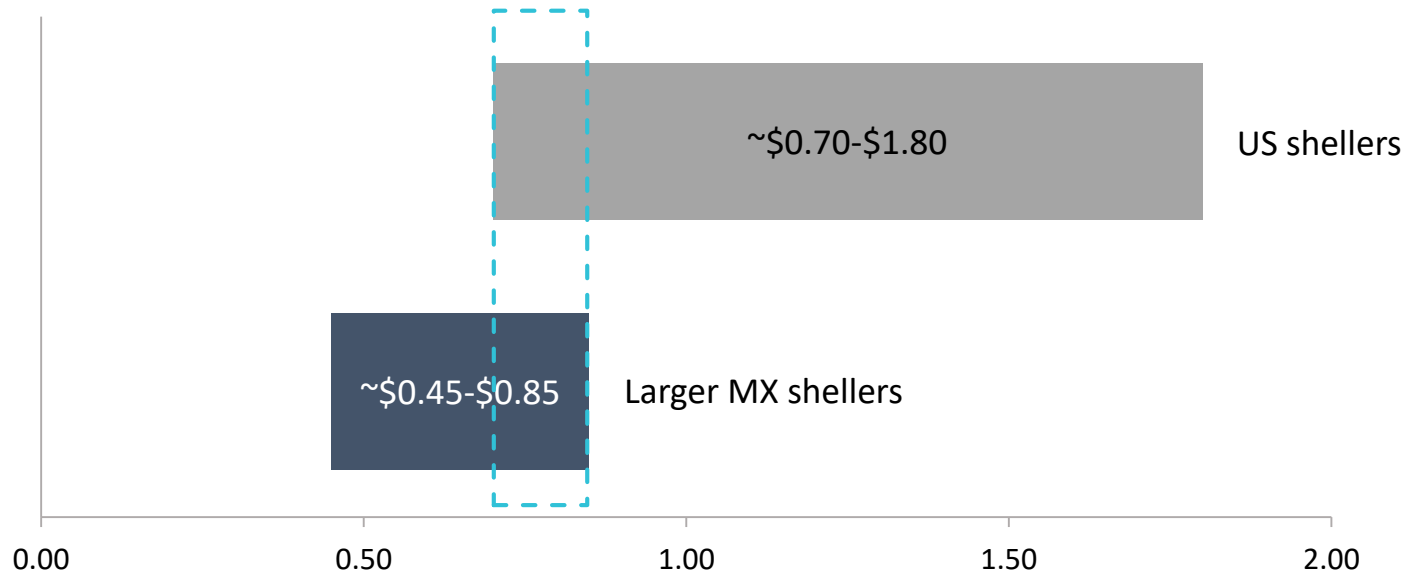
1. Based on USDA ERS "Fruit and Nut Tree Yearbook" average walnut kernel yield

Note: Growing cost per acre excludes amortization of land and tree/establishment investments. Almond figures reported in meat yield basis only.

Source: Almond Board; UC Davis; USDA; market interviews

# US shellers are under pressure & struggling to compete vs. Mexico

Ranges of total shelling costs (\$ / meat lb.)



Mexican shellers benefit from lower costs

With right processes / investments, and tailwind from lower transport costs, some US shellers competitive with MX shellers

*Directional cost estimates; excludes carrying / transportation costs & mill loss*

# Transaction model: Many pain points from how growers & shellers transact today

Recurring pain points from interviews and stakeholder survey

## Growers



Tension between growers and shellers on price and yield



No ability to capture upside if demand grows and pecan prices rise

## Shellers



Significant upfront capital commitment and high interest expenses



Market risk, and "sandwich position" between in-shell price increases and retail negotiations



*Pecans are the decentralized, Wild West of nuts...I think pecan growers over time would do better if they adopted a [new transaction] model.*

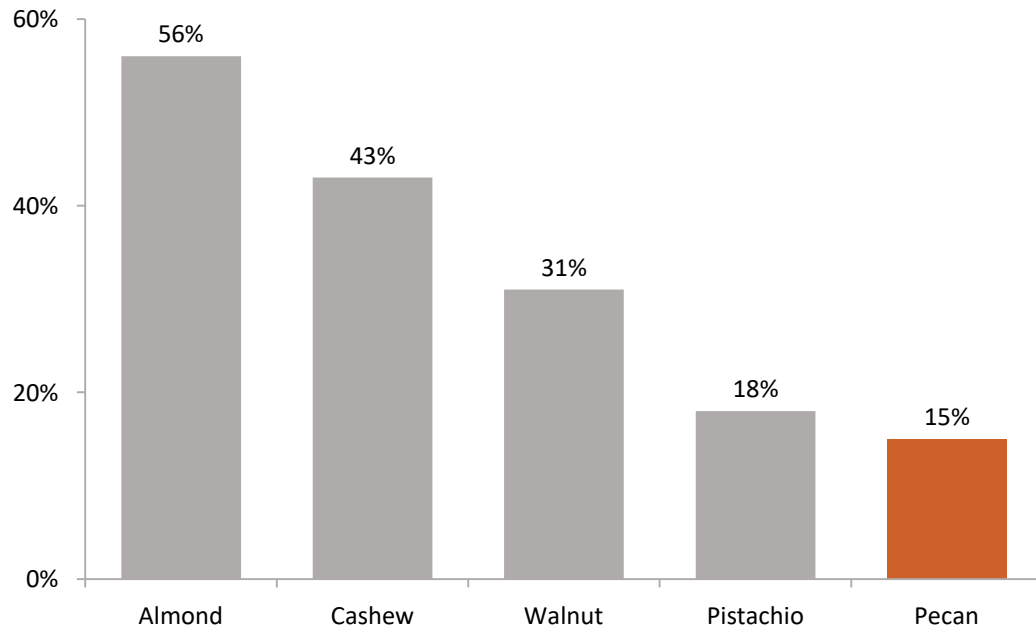


*Every time I look at the pecan model and the adversarial relationship, it's like being in a different world [relative to almonds & pistachios].*

# Consumer demand: US pecan demand significantly lags other tree nuts today

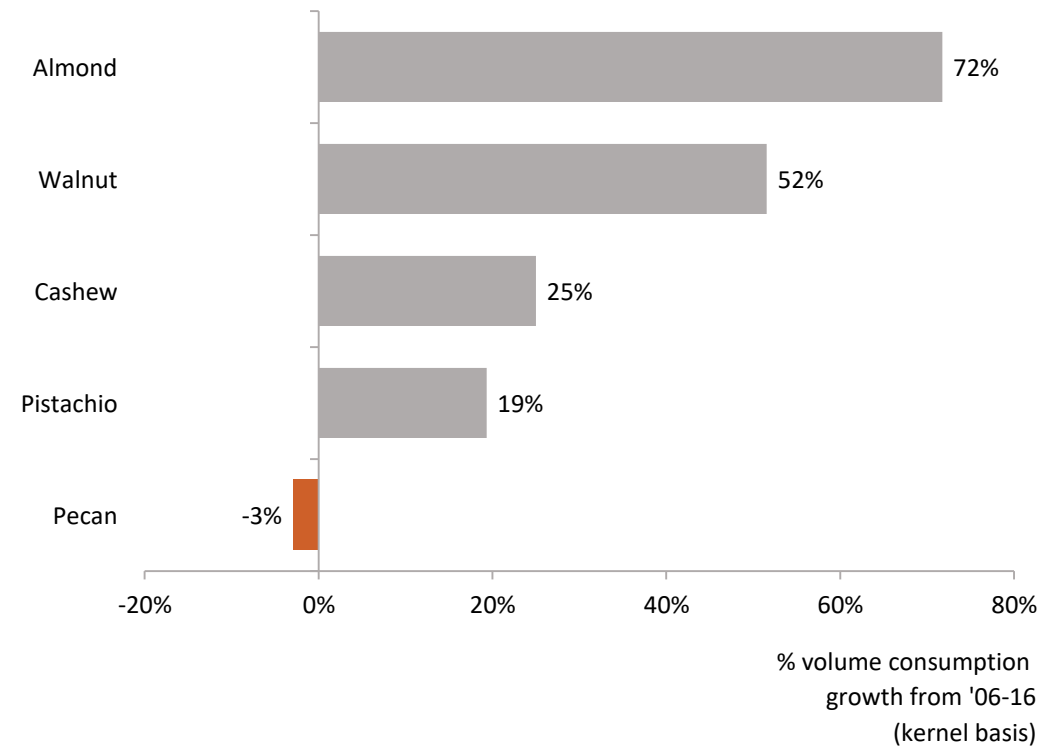
'Top of mind' awareness<sup>1</sup> of pecans in US is low relative to other mainstream tree nuts

% of respondents that recalled each tree nut<sup>1</sup>



Ten-year US pecan consumption stagnant while other tree nuts have experienced growth

*International markets account for majority of pecan consumption growth (4-5% annually)*

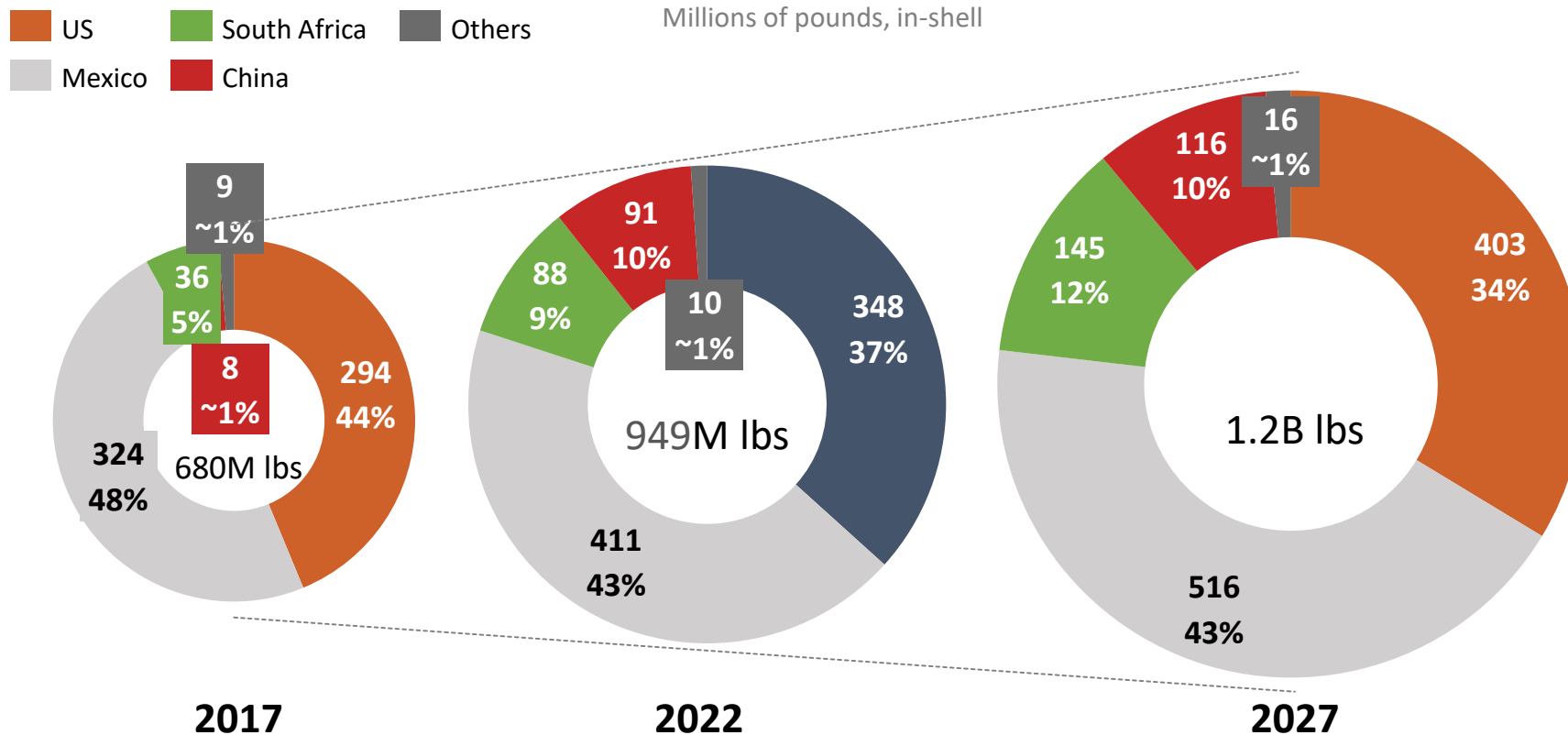


1. Unaided awareness question in July 2017 survey asks for top 3 nuts respondent recalled. Note: Pistachio consumption is in-shell  
Source: Exactcast APC Research July 2017, INC Statistical Yearbook



# Significant supply coming online from S. Africa & China, and if no corresponding change to consumer demand, market will be hit with surplus

Annual pecan production across top markets



**Base case estimate of supply;** sources of supply growth may vary based on actual productivity of S. Africa, China, & others

- **China** may produce up to 5-10% of global pecan supply; may affect U.S. imports
- **South Africa** to continue rapid growth, comprise >10% of world supply in ten years - well suited to cater to Chinese demand
- Must **stimulate demand** to capture new supply and **diversify global demand** beyond China

Source: USDA FAS/GATS; USDA NASS/ERS; SIAP-SAGARPA; Comenez; SAPP; Industry Interviews; Stakeholder survey  
 Forecasting does not account for cyclical nature of crop, or loss of production capacity due to Hurricane Michael; should be viewed as directional approximation

# Fragmented industry groups must work together to address challenges



## Pecans



## Almonds



## Walnuts



## Pistachios

### National



- **American Pecan Council**
- National Pecan Shellers Association
- U.S. Pecan Growers Council, Inc.
- National Pecan Federation
- American Pecan Board

- **Almond Board of California**
- Almond Alliance

- **California Walnut Board**
- California Walnut Commission

- **Administrative Committee for Pistachios**
- American Pistachio Growers

### Regional



- Southeastern Pecan Growers Association
- Western Pecan Growers Association
- Tri-State Pecan Growers Association

### State



- Alabama Pecan Growers Association
- Arkansas Pecan Growers Association
- Arizona Pecan Growers Association
- California Pecan Growers Association
- Georgia Pecan Growers Association
- Georgia Pecan Commission
- Louisiana Pecan Growers Association
- Mississippi Pecan Growers Association
- New Mexico Pecan Growers Association
- North Carolina Pecan Growers Association
- Oklahoma Pecan Growers Association
- Texas Pecan Growers Association
- West Texas Pecan Growers Assoc.
- Texas Pecan Board

- Central California Almond Growers Association
- Central Valley Almond Growers Association

- Sacramento Valley Walnut Growers Association\*

- California Pistachio Research Board
- Arizona Pistachio Growers Association

Total No.

22

4

3

4

Indicates FMO

Source: USDA

Industry's geographic dispersion and limited resources make collaboration difficult, but not impossible



Ex: Blueberry growers / processors make decisions as a united industry despite having orgs. across 20+ states

# Together we can achieve our future-state aspiration for the industry

## From - Current State

## To - Future State



Win fair share of tree nuts

Seasonally-consumed, indulgent ingredient nut lagging growth of other tree nuts...



...a differentiated, nutrition-oriented, everyday snacking nut capturing fair share of market growth



Lead amongst global suppliers

Trade show-based, "push" export strategy with resources spread across many markets...



...a consumer-driven export marketing strategy focused on few highest potential markets



Strengthen our infrastructure

Limited, unreliable data and non-uniform standards enforced inconsistently...



...improved data availability to support decision making & objective implementation of uniform standards



Modernize the industry

Transaction model that prevents value chain partnerships and inhibits market growth...



...researched best practices that educate industry on sharing risk & upside to promote stability & efficiency



Unite pecan stakeholders

Fragmented stakeholders acting in individual interest with limited collaboration...



...a unified stakeholder base with a common strategy, working together to benefit American pecan industry



AMERICAN PECAN  
COUNCIL

# APC INDUSTRY RELATIONS

23 FEBRUARY 2019

# UNDERSTANDING YOUR FEDERAL MARKETING ORDER

---

## Industry Relations

- As a Federal marketing order, the APC is uniquely enabled, with the oversight of USDA, to provide industry with many powerful tools.
- Some of the key functions of the FMO include Domestic and International Promotion and Marketing, Research, Grades & Standards, Compliance, and Data collection



## 2018 - 2019 Reporting Forms

---

### Strengthening Industry Infrastructure

- Handlers of pecans are required to submit reporting forms 1, 2, 3, 5 & 6 to the American Pecan Council office no later than the tenth (10th) day of every month. Form 7, Year-End Inventory Reporting Form, is delivered to the American Pecan Council office no later than September 10, 2019.
- APC publishes monthly Pecan Industry Position Reports.
- This is the first time industry has had data reports regarding shipments, inventory, exports, and imports. All handler reports verified by a third party auditor to ensure the accuracy.

# ARE YOU A HANDLER?

---

## § 986.20 To handle.

- *To handle* means to receive, shell, crack, accumulate, warehouse, roast, pack, sell, consign, transport, export, or ship (except as a common or contract carrier of pecans owned by another person), or in any other way to put inshell or shelled pecans into any and all markets in the stream of commerce either within the area of production or from such area to any point outside thereof. The term “to handle” shall not include: sales and deliveries within the area of production by growers to handlers; grower warehousing; custom handling (except for selling, consigning or exporting) or other similar activities paid for on a fee-for-service basis by a grower who retains the ownership of the pecans; or transfers between handlers.



# GROWERS OPERATING AS A HANDLER

The following rules determine whether a grower is also acting as a handler:

- Sales of pecans directly to consumers.
- Directly exporting pecans to another country.
- Sale or delivery of pecans to a recognized pecan handler within the production area exempts the grower from obligations under the Marketing Order. The handler is required to comply with all the regulations.

If you would like to know more about becoming a handler, please contact American Pecan Council office.





# FORM 4 INSTRUCTIONS & FORM




## REPORT OF INTER HANDLER TRANSFER OF PECANS

If a grower is selling their own product to a recognized handler within the area of production, neither the grower nor the first handler will submit a Report of Inter-Handler Transfers of Pecans – Form 4 for these transactions.

OMB No. 1581-0291

American Pecan Council  
P. O. Box 110199  
New Braunfels, Texas 78138  
(817) 790-0820  
www.americanpecan.com

  
AMERICAN PECAN COUNCIL

### REPORT OF INTER-HANDLER TRANSFER OF PECANS Form 4 - Instruction

This report is submitted pursuant to 7 CFR 986.62 and reporting requirements 7 CFR 986.77 and 986.78, and is subject to audit verification by the American Pecan Council pursuant to 7 CFR 986.79. The completed form must be delivered to the American Pecan Council no later than the tenth day of the month following the month.

Please note: If completing electronically, you need only insert data in the blank WHITE cells. The form will calculate any information in the "SHADED" cells. Once the information is entered, the column totals will calculate automatically. If completing the form by hand, please calculate totals manually.

The following are instructions for completing Form 4 - Report of Inter-Handler Transfer of Pecans

**Month of Transfer:** Enter the month pecans were sold to receiving handler.  
**Handler Number:** Leave blank, will be used by APC staff.  
**Inter-handler transfer (in pounds)**

1. Enter the weight of initial pecans transferred for each type of pecan transferred.
2. If completing the form by hand, total the amount of assessment for each type transferred.
3. Check the box indicating which handler is responsible for paying the assessment and reporting volume on Form 7.

**UPON COMPLETION:** Read the Certification Statement at the bottom of the form and write/type the Handler/Company name. Then sign and date the form in the spaces provided. Each party to the transfer is to retain a copy of the form that has or shall be: **AMERICAN PECAN COUNCIL; Fax (866) 232-0083; Email - forms@americanpecan.com.**

**986.81 Confidential Information:** All reports and records submitted by handlers to the Council's staff, which include data or information constituting a trade secret or disclosing the trade position, or financial condition or business operations of the handler, shall be kept in the custody of one or more employees of the Council and shall be disclosed to no person except the Secretary of Agriculture.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is OMB 1581-0291. The time required to complete this information collection is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Form 4 (2/2018)

OMB No. 1581-0291

### REPORT OF INTER-HANDLER TRANSFERS OF PECANS - FORM 4

This report is submitted pursuant to 7 CFR 986.62 and reporting requirements 986.77 and 986.78, and is subject to audit verification by the American Pecan Council pursuant to 7 CFR 986.79.

Month \_\_\_\_\_

Handler Number: \_\_\_\_\_ (offer use)

INTER-HANDLER TRANSFERS (in pounds)			
Type of Pecan	Assessment Fee	Initial Pounds Transferred	Assessment Amount Owed
In-shell	\$0.02		\$0.00
In-shell/In-shell	\$0.02		\$0.00
Shaded	\$0.02		\$0.00
<b>TOTALS</b>		<b>0.00</b>	<b>\$0.00</b>

Who is responsible for paying the assessment and reporting volume on Form 7 (check appropriate box)

Transferring Handler       Receiving Handler

**This report of pecans transferred between handlers is submitted in compliance with the requirements of 7 CFR 986.82. Completion of this form does not exempt either handler from reporting inventory on Form 7. In executing this form, both handlers respectively certify to the Council, and to the U.S. Department of Agriculture, the correctness and completeness of their statements.**

To be completed by Transferring Handler      To be completed by Receiving Handler

\_\_\_\_\_  
(Name of Handler/Company)      \_\_\_\_\_  
(Name of Handler/Company)

\_\_\_\_\_  
Signature      \_\_\_\_\_  
Signature

Date: \_\_\_\_\_      Date: \_\_\_\_\_

**Certification Statement:** The making of any false statements or representations in any matter within the jurisdiction of any agency of the United States, knowing it to be false, is a violation of title 18, section 1001, of the United States Code, which provides for a penalty of a fine for individuals and for organizations or institutions, or both.

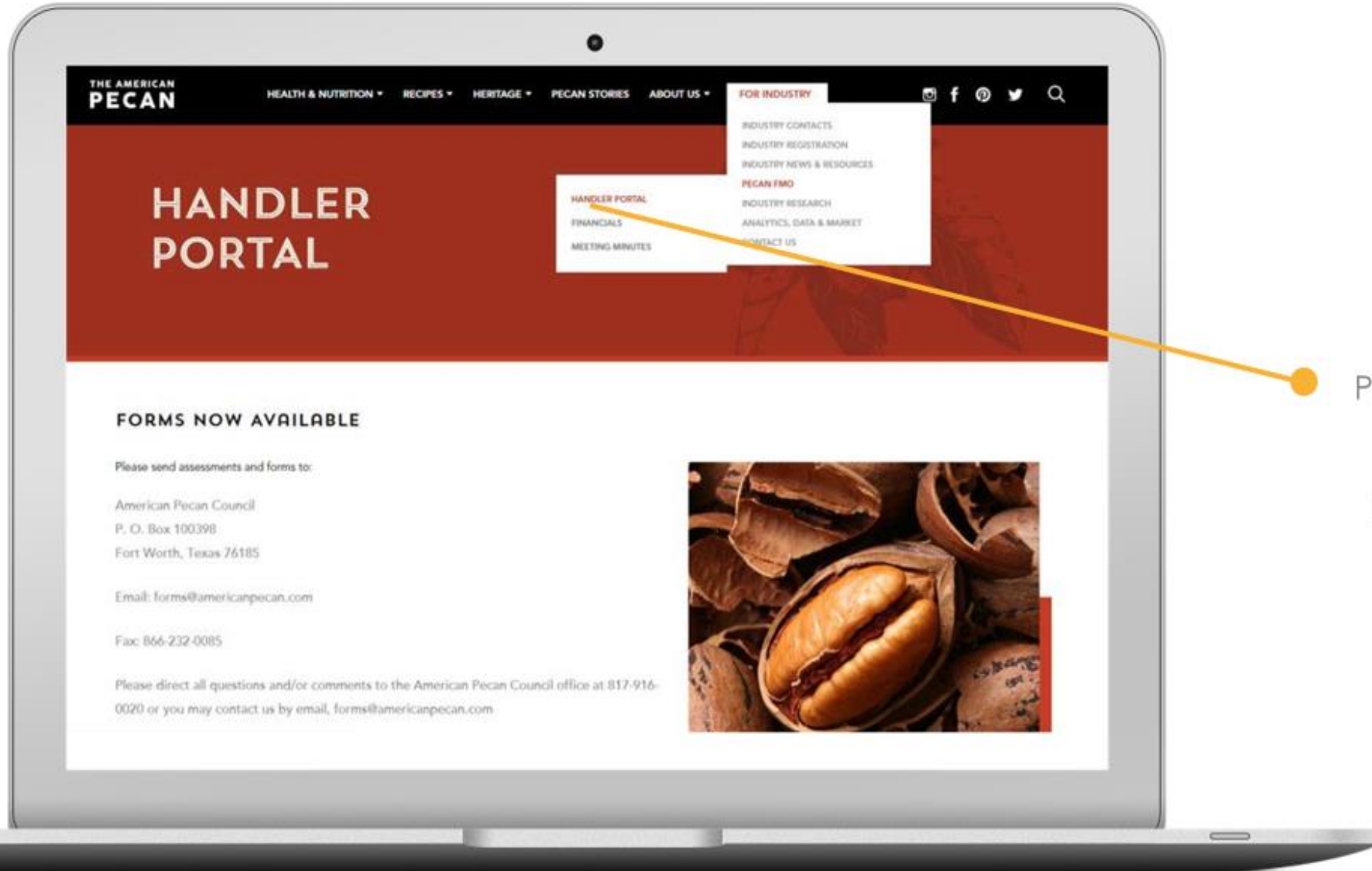
In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language), etc. should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3025, found online at [http://www.nrc.usda.gov/complaint\\_filing](http://www.nrc.usda.gov/complaint_filing), and mail and at any USDA office or write a letter addressed to USDA and provide to the letter all of the information requested in the form. To request a copy of the complaint form, call (800) 822-9992. Submit your completed form or letter to USDA by 11/1 and U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 149 Independence Avenue, SW, Washington, DC 20250-9400, 01. We: (202) 490-7412 or 11. email: [program.intake@usda.gov](mailto:program.intake@usda.gov). USDA is an equal opportunity provider, employer, and lender.

Form 4 (2/2018)

# HANDLER PORTAL



Click on the FOR INDUSTRY TAB.

Scroll down to the PECAN FMO section.

Select HANDLER PORTAL to view the forms.

# STAY IN THE KNOW WITH ALL THINGS APC

- Visit [AmericanPecan.com](http://AmericanPecan.com) to register to receive ongoing communications such as the APC bi-weekly newsletters, Pecan Industry Position reports, and any important industry updates.
- Get to know your APC region representative.



*Our Cherry Pecan Energy Bites recipe was featured in our latest media article showcasing pecans as a heart-healthy ingredient.*

#### ASKING AMERICANS TO THINK HEART-SMART

February is American Heart Month – and right on the heels of New Year’s resolutions, it’s the perfect time to remind consumers of how easy it is to incorporate heart-healthy ingredients as part of a balanced diet and healthier lifestyle. To insert American Pecans into the healthy habits conversation, our media relations efforts have focused on educating Americans on the health benefits of pecans and offering quick, easy ways to incorporate them into daily diets.

Our article, “Simple Ways to be Heart Smart” was timed for release to newspapers and magazines nationwide in the last week of January, as editorial teams begin to focus on heart health. Media has shared our story from coast-to-coast, including [Malibu Times Magazine](#) (Malibu, CA), [The Miami County Republic](#) (Miami, Kansas) and [Longview News-Journal](#) (Longview, TX), among others.

The article not only shares the heart-smart qualities of pecans, but debuts one of our newest recipes – Cherry Pecan Energy Bites. As a quick, portable, kid-friendly option, they’re an ideal fit for our Gen X and Gen Y mom target audience. You can find the recipe in the article, or at [AmericanPecan.com](http://AmericanPecan.com). If you give them a try, send us a note and/or photo, at [industry@americanpecan.com](mailto:industry@americanpecan.com) – we always enjoy seeing industry use our recipes at home.

To further amplify our heart-healthy efforts, we’ve partnered with a registered dietitian for broadcast news segments to highlight pecans alongside other heart-healthy ingredients. Featuring our new Cherry Pecan Energy Bites recipe, the segment will air in markets in the northeast, ensuring our heart health message reaches consumers well beyond the Pecan Belt.

You can celebrate American Heart Month, too, by sharing heart-smart pecan-based recipes with your followers on social media. Check out the new Social Media Content Calendar resource on the [Super-fy marketing page](#) in the Digital Toolkit for Industry (password: pecans18) for fresh ideas to post to your channels. Additionally, we’ve renewed American Pecans’ American Heart Association (AHA) Heart-Check Mark for 2019, which you can use in your own marketing materials and packaging. Reach out to us at [industry@americanpecan.com](mailto:industry@americanpecan.com) for more details.



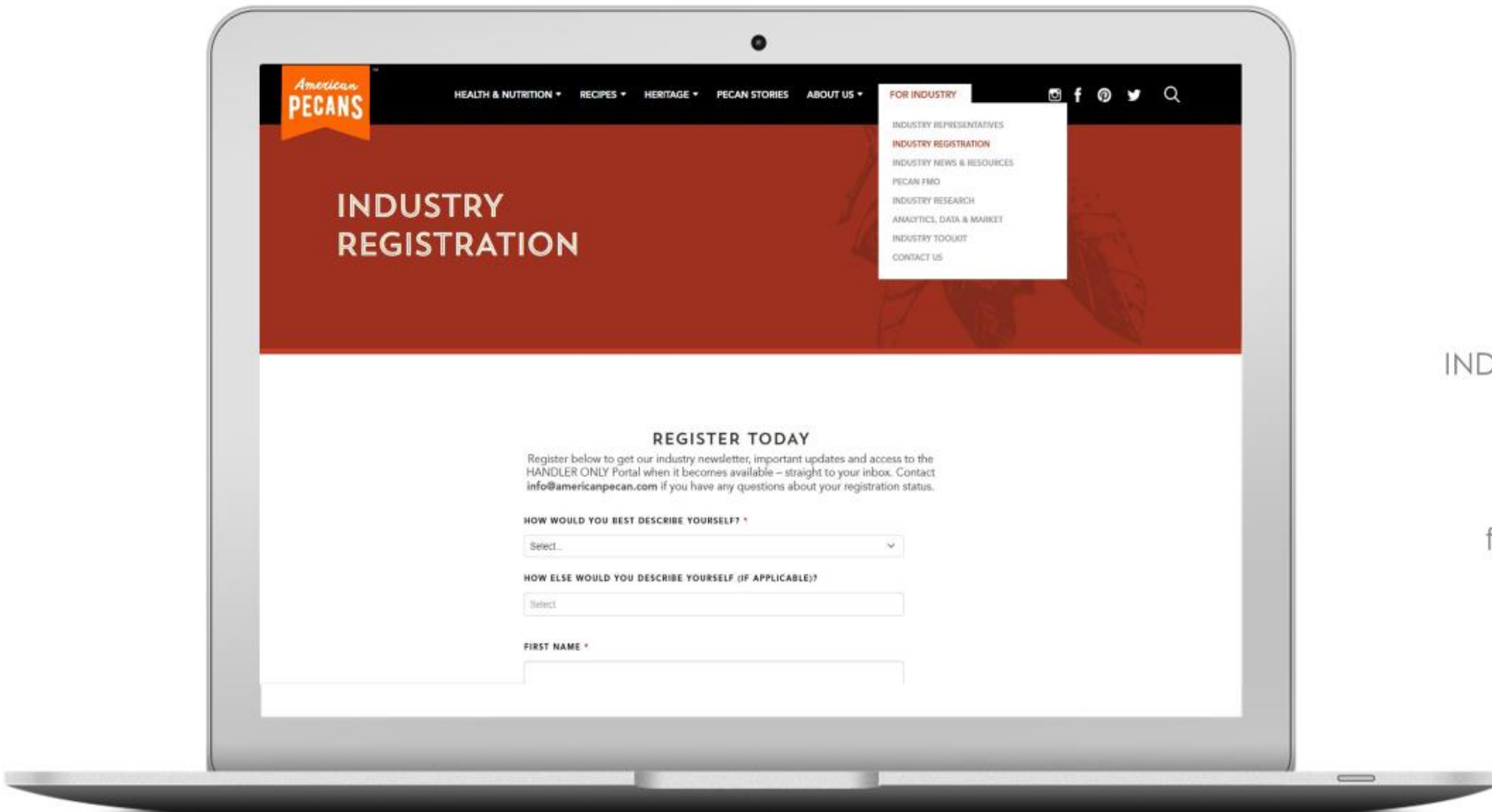
*The American Pecans Nutrition Handout is just one of the nutrition-focused resources available to industry in the Digital Toolkit.*

#### SPREADING THE PECANS NUTRITION MESSAGE

From our Super-fy campaign, which shows consumers how they can make meals more nutritious and delicious by adding American Pecans, to new partnerships with retail dietitians, we’re putting the pecan nutrition message front and center in 2019. This includes our research priorities, as we look to conduct our own nutrition studies in the coming months and years.

Based on consumer research, while most Americans see other nuts, like almonds and pistachios, as a “health food,”

# INDUSTRY REGISTRATIONS



Click on the FOR  
INDUSTRY TAB.

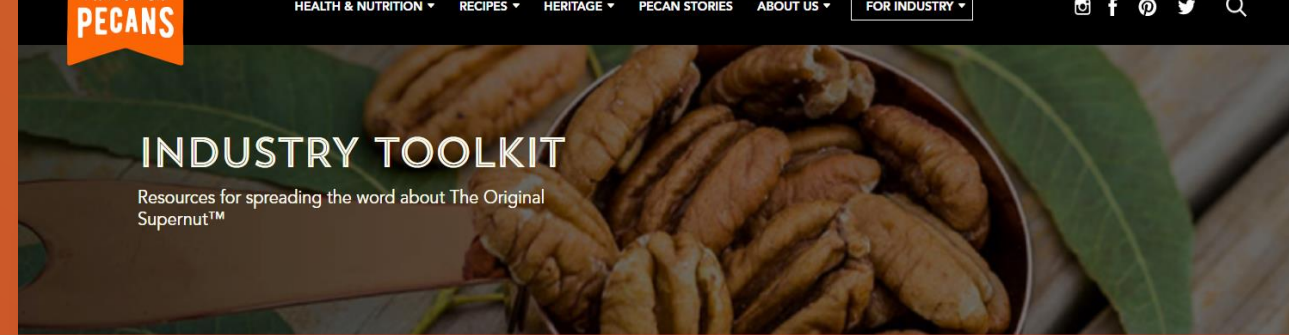
Scroll down to the  
INDUSTRY REGISTRATIONS  
section.

Enter CONTACT  
INFORMATION in the  
form and click SUBMIT.

# Industry Resources For YOU!

- We've assembled information on the American Pecans brand, including resources you can reference when communicating about or using the brand, assets you can download and use in your own marketing efforts, and content you can share.
- Simply visit [AmericanPecan.com/toolkit](https://AmericanPecan.com/toolkit) (password: pecans18), to view downloadable reference materials and monthly marketing highlights/impact reports.
- Follow us on social media @americanpecan

Please reach out to us with any questions - [industry@americanpecan.com](mailto:industry@americanpecan.com) or 817-916-0020.



## WELCOME TO THE AMERICAN PECANS™ DIGITAL TOOLKIT FOR INDUSTRY

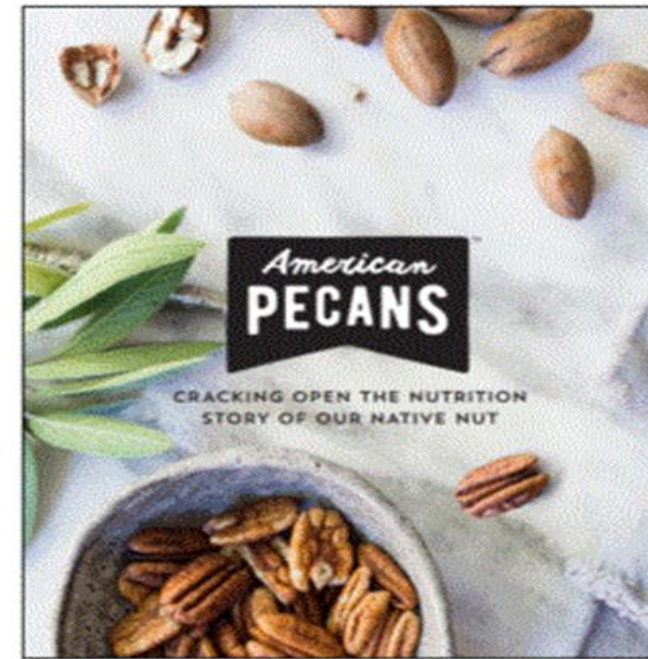
The American Pecans, The Original Supernut™ brand is a first-ever national brand and marketing program to help consumers realize that pecans are super nutritious, super delicious and super versatile. American Pecans marketing efforts are in direct service to the American Pecan Council's goals of increasing demand for U.S. pecans, both domestically and abroad, and competing with other major tree nuts that have benefited from industry-funded campaigns.

This brand isn't just for consumers – it's a rallying point for the whole pecan industry. In this toolkit, you can discover more about how to use the brand that you helped build.

We've assembled information on the American Pecans brand, including resources you can reference when communicating about or using the brand, assets you can download and use in your own marketing efforts, and content you can share.

So help us grow. Spread the word about American Pecans by sharing our content on your social channels, using the new American Pecans logo in your marketing materials, or printing materials to share with employees, friends and neighbors.

We hope you find the information and materials useful, and please reach out to us with any questions – [industry@americanpecan.com](mailto:industry@americanpecan.com) or 817-916-0020.



WE WANT TO HEAR FROM YOU

---

QUESTIONS | COMMENTS

- If you have any questions or comments, please contact the Council office at [industry@americanpecan.com](mailto:industry@americanpecan.com) or (817) 916-0020.
- You may also contact us anonymously on the American Pecan website by clicking the Industry tab, Contact Us subtab.



**Thank you**