

Where Do We Go From Here?

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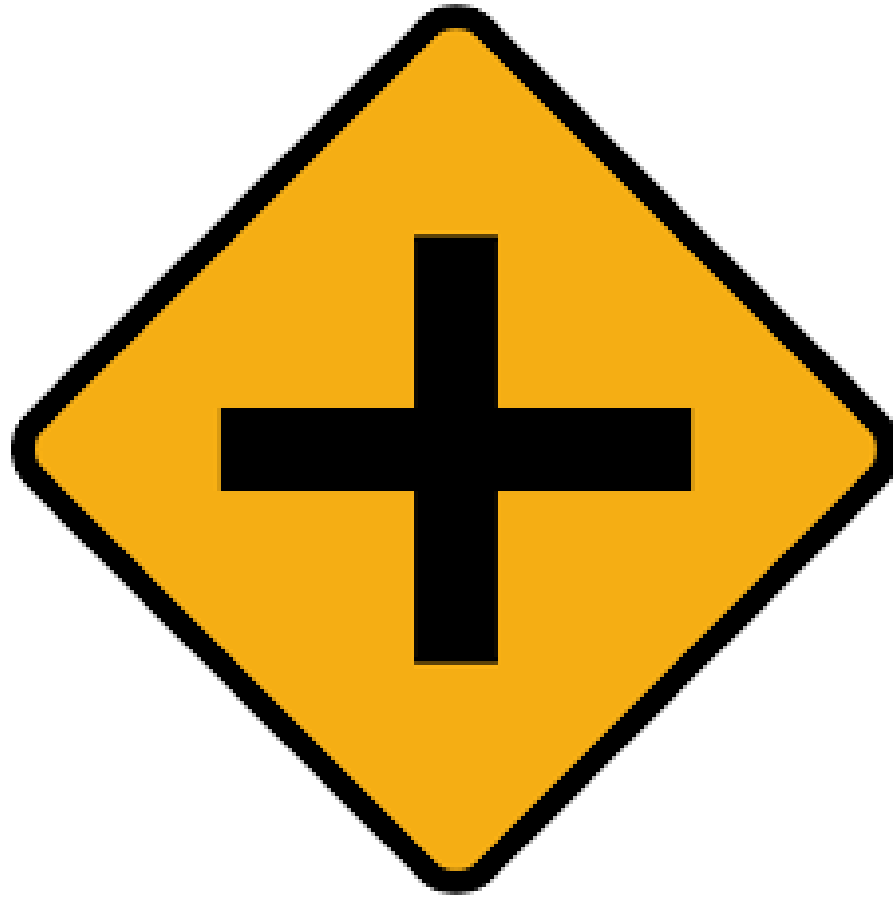


2018



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The Southeastern Pecan Industry at a Crossroads



The Farmer's Dilemma

- Relatively little control over cost of production and NO control over price
- In order to change either or both of these, we have to change the way in which our industry operates
- If we don't.....

Southeastern U.S. Pecan Industry



Is it Too Expensive to Grow Pecans in the Southeast?

- SE= \$1485-\$1628/acre
- West = \$2000/acre (Heerema, 2014)
- Mexico= \$860/acre (Nunez, 2014)
- South Africa = \$600-\$800 (Heerema, 2014)

Prices

- If you were able to harvest, early season Desirable prices were about \$2.20-2.40/lb and Stuart about \$1.75.
- By the end of season good quality Desirables were holding around \$2.00, lower quality 44-45% were at \$1.30 and Stuarts were .85/lb or less
- Jan. 19, 2019 prices for Western growers was \$1.70-\$1.90

Prices from USDA Crop Report



Net Returns West vs. Southeast

- Is it too expensive to grow pecans in the SE?
 - Depends on what you are growing and if export market is in place
- Western Growers Average around 2000 lbs/acre and produce 55-60% kernel, so they could still be grossing around \$3400/acre and netting \$1400-\$1800/acre
- In the East, a \$2.10 Desirable at 1200 lbs/acre = \$800-900/acre net
- Stuart at average of 1.30/lb and 1000 lbs per acre nets = -\$185/acre net
- At current market prices, if we are growing something other than Moneymaker/Stuart/Desirable in the East (Pawnee, Caddo, Oconee, Cape Fear, Sumner, etc) net returns are **about the same as** those for Western growers even at lower yields

Replace the Old Stuart Blend Orchard

- Replace old cultivars with cultivars that have a decent level of scab resistance and better quality nuts than Stuart.
 - Avalon
 - Zinner
 - Ellis
 - Sumner
 - Oconee
 - Creek
 - Lakota
 - McMillan
 - Excel
 - Caddo
 - Eclipse
- Emphasize *quality* over quantity
 - Percent kernel should be in mid 50's or better



Reducing Cost: Things to Keep in Mind for New Plantings

- *STOP PLANTING DESIRABLE*
- Plant cultivars that produce quality with good scab resistance
 - Goal: 6-8 fungicide sprays max
- If you plant a scab susceptible cultivar, make sure it has an early harvest date/short season
 - Pawnee, Caddo

We Can Grow Pecans for Less

	Yield	Count	% kernel	Cost/A	Price (\$)	Gross (\$)	Net (\$)
Desirable	1431	42	53	1487.06	2.10	3005.10	1518.04
Pawnee	1134	45	56	1455.06	2.65	3005.10	1550.04
Lakota	2058	48	60	1184.30	1.95	4013.10	2828.80
Excel	1927	42	52	1184.30	1.85	3564.95	2380.65
McMillan*	1060	51	54	1184.30	1.85	1961	776.60

- Assumes **12 fungicide sprays** & 6 insecticide sprays for **Desirable**
- **10 fungicide sprays/6** insecticide sprays for **Pawnee**
 - 1 casebearer, 2 aphid, 2 shuckworm, 1 mite
- **Cost reductions (from Desirable) for low input:**
 - Fungicide = 0 sprays = **-\$192**
 - Insecticide = 4 sprays (2 aphid, 1 mite, 2 shuckworm) = **-\$29.94**
 - Fuel = Reduced trips over orchard by 78% = **-\$80.82**
 - Total Cost Reduction = **\$302.76/acre**

Management Practices for Reduced Cost

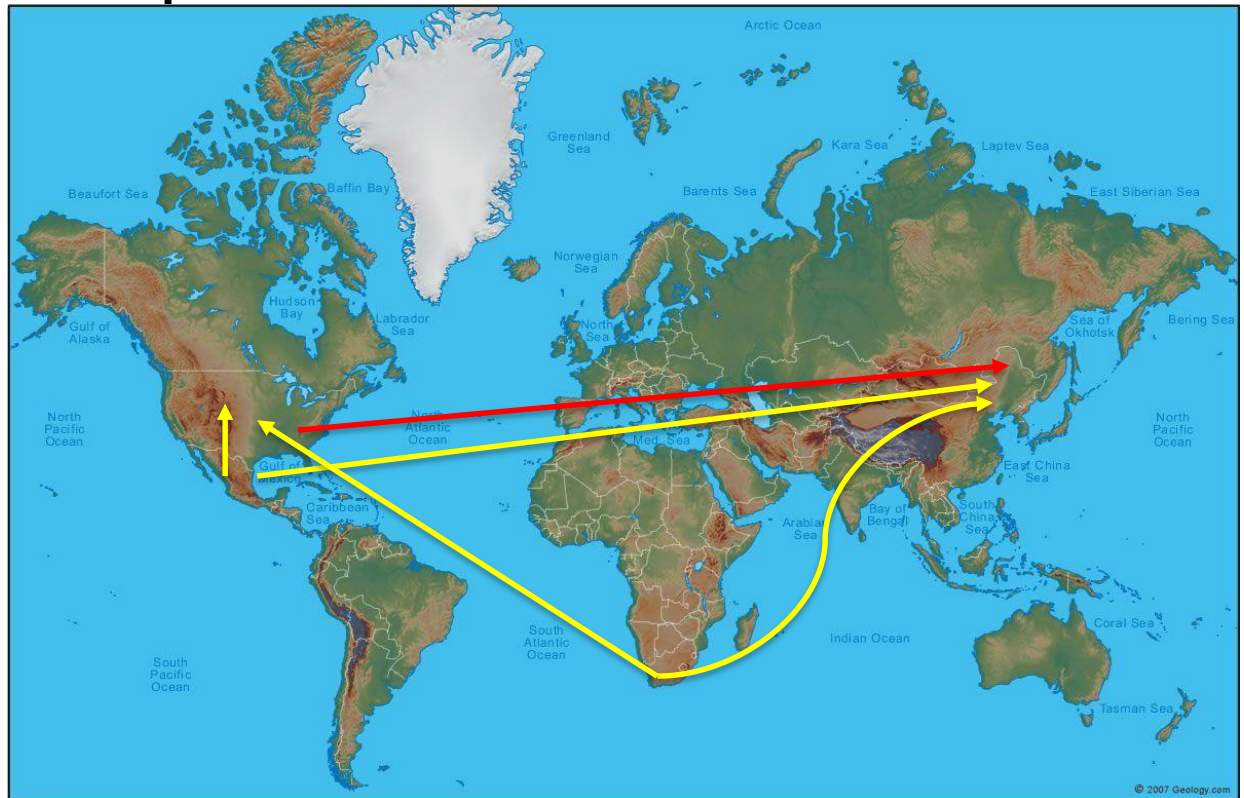
- Water
- Sunlight
- Air Flow
- Requires Adequate Tree Spacings
 - Plant at 30 X 50, 40 X 40, 25 X 50, 30 X 60, 46 X46
- Tighter spacings have potential to increase early yield but require more input
 - Hedging, transplanting, irrigation cost and repair
 - More trees per acre = increased disease and insect pressure

The Mexico Problem

- **Mexico**
 - 278,176 acres of pecans (2015)
 - Adding 10,000 new acres/year
 - 270.5 million lbs production (2015)
 - Now likely closer to 300 million
 - U.S. is their largest customer
 - Mexican exports to U.S. as of Feb 14=198 million lbs (in-shell basis)
 - 6% U.S. grown nuts sent to Mexico for shelling
- **When U.S. shellers bring in pecans from Mexico:**
 - Mexican pecans are marketed through U.S. marketing efforts
 - Price for U.S. crop is depressed in absence of China in-shell export market
 - We cannot grow the pecans we have been growing and compete economically with Mexico

Storing Nuts Is A Bigger Gamble Than It Used To Be

- 6 month window to move nuts
- South Africa Crop



Pecan Market Issues

- Diverse market for shelled pecans
- Domestic shellers appear to be moving away from the old Stuart blends
- We have to grow better quality nuts with more uniformity and a lower cost of production to compete on the traditional domestic market and we have to develop new markets

Standards

- USDA has a grading system (Dec. 10, 2018)
 - <https://www.ams.usda.gov/grades-standards/shelled-pecans-grades-and-standards>
- We need standards that give advantage to the U.S. grown nut
- Who is on the committee determining these standards?
- Will these standards make U.S. grown nuts from all regions more marketable or will they create standards that are more advantageous to the sheller to the detriment of U.S. grown nuts?
- We need standards which limit influx of nuts from Mexico
- What about residues?
- How do we address the confusion created by shipping nuts to Mexico for shelling and then bringing them back in to the U.S.?

Don't Be Yellin' if You Ain't Shellin'

- *2018 a glimpse of the future?*
- *Growers Are Going to Have to Be More Active in Marketing Some of Their Own Crop*
- *Diversify Markets*
 - Will always sell much of the crop to domestic shellers or via in-shell export market to China (While it lasts)
 - Work together or individually to develop grower-owned shelling plants
 - Start small---shell, bag, ship
 - Internet Sales
 - Local Markets
- *Develop New Markets*
 - *Markets in NE, NW, and urban areas*
 - International Markets
 - Develop markets for value-added products---pecan milk, pecan oil, etc.
 - USE HEALTH MESSAGE
 - Market Pecans as Snack Foods



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Where Do We Go From Here

- ***Option 1: Growers have to shell some of their own crop***
- ***Option 2: Work with Shellers to grow the nuts they want***
 - 70 count or less; 55% kernel or better
- ***Option 3: Stay status quo and be subject to the same market forces as the past***

- ***Reduce Costs & Produce Quality***
 - Use varieties and practices that allow you to grow good quality pecans for less \$
- ***There is still plenty of room to grow demand for pecans in the U.S.***
 - If we are to increase consumption in the U.S. to any significant level, we have to have new domestic markets
- ***Continue push of IN-SHELL nuts to China and Asia/India (the one thing we've done right)***
 - Markets with greatest benefit for the **GROWER**
- ***We need APC to succeed in its stewardship and support of the entire U.S. pecan industry, including the SE.***
 - APC was put in place to help the whole industry succeed by primarily focusing on increasing domestic demand

