

# EXPORTING PECANS

WILL MARKETS CONTINUE TO EVOLVE

“MY OPINION”



**RANDY HUDSON**

**HUDSON PECAN COMPANY, INC.**

**AND**

**HUDSON PECAN FARMS, LLC.**

# HUDSON PECAN COMPANY AND HUDSON PECAN FARMS

Hudson Pecan Company  
Phil Croft, Manager



Hudson Pecan Farms,  
Scott Hudson, Manager



# HUDSON PECAN

## HUDSON PECAN COMPANY, INC.

- BUYING POINT
- SHELLING PLANT
- CLEANING PLANT
  - Clean, purchase and market shelled and inshell pecans for both domestic and international markets
  - Currently market pecans in Asia, Europe, India and Middle East.
  - China is our largest export customer
  - Began Exporting in 1999
- OFF-SEASON, SPECIALIZED ORCHARD PLANTING AND IRRIGATION INSTALLATION

## HUDSON PECAN FARMS, LLC

- Fourth Generation Pecan Farm
- Owns, operates and manages approximately 1500 acres of pecans in south Georgia
- Significant amount of the acreage is less than 10 years old
- The long-term plan is for continued growth and expansion
- Planted 250 acres of trees this year for the company and partners
- Plan to add an additional 250 acres next year

# US LEADS THE WORLD IN NUT PRODUCTION AND EXPORTS

- US PRODUCES NEARLY 10% OF WORLD TREE NUTS
- ALMONDS ACCOUNT FOR NEARLY 70% OF TREE NUT EXPORTS
- PECAN EXPORTS CONTINUE TO INCREASE ANNUALLY WITH ASIA, HONG KONG BEING THE LARGEST CITY FOR INSHELL AND CANADA THE DESTINATION FOR SHELLLED PECANS

# 2010 Pecan Imports and Exports

## Exports

- Inshell 40,622 mt  
(China)
- Shelled 12,948 mt  
(Canada)

## Imports

- Inshell 30,816 mt  
(Mexico)
- Shelled 29,062mt  
(Mexico)

# China SignPost

洞察中国

*“If China Consumption simply increased from 0.03 kg to half of the 0.6 kg per person as in the US, it would take 800,000,000 pounds annually to satisfy China demand”*

# Threats to Exports

- Geo-Political Events
  - Russian Corn Embargo
  - China import prohibition of US tobacco -Blue Mold
  - US invasion of Iran or Syria - ???
- Value of the Dollar
  - Weak Dollar
  - 6.3 Yuan present vs. 6.8 Yuan 2010 (8%)
- Tariff Restriction
  - High Pecan Tariff for India and China
- Shipping Issues
  - Shortage of Containers, ect...
- International Competition
  - Mexico
  - South America
  - China

# THE INDUSTRY IS AT RISK!

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- CHINA DOMINATES OUR INSHELL MARKET
- CHINA IS THE MARKET MAKER
- IN THE ABSENCE OF CHINA, PRICES WOULD DROP SIGNIFICANTLY
- CHINA HAS A HISTORY OF MARKET UNCERTAINTY



# INCREASING SUPPLY

- HIGH YIELDS, HIGH PRICES, EXCELLENT PROFIT
- STIMULATED –
  - ▣ Increased Plantings of New Orchards
  - ▣ Revitalization of Old or Existing orchards
- NEW PLANTING?
  - ▣ Conservatively 1000's of acres
  - ▣ In one county meeting in middle Georgia growers indicated they had planted nearly 500 acres

# THE DILEMMA

- ❑ LARGE CROPS, OFTEN LEAD TO LOWER PRICES AND PANIC SELLING – LOWER PRICES
- ❑ PANIC SELLING TO MEET OPERATIONAL EXPENSES ONLY COMPOUNDS THE ISSUE OF PERSISTENT LOW PRICES
- ❑ INCREASED SUPPLY IS NECESSARY TO GROW DEMAND
- ❑ LARGER DEMAND IS NECESSARY TO GROW THE INDUSTRY
- ❑ GROWERS NEED PROFITS TO MAINTAIN THEIR EXISTING ACREAGE AND TO PLANT ADDITIONAL ACRES – SUSTAINABLE PRICES

# THE HEALTH OF THE GROWER

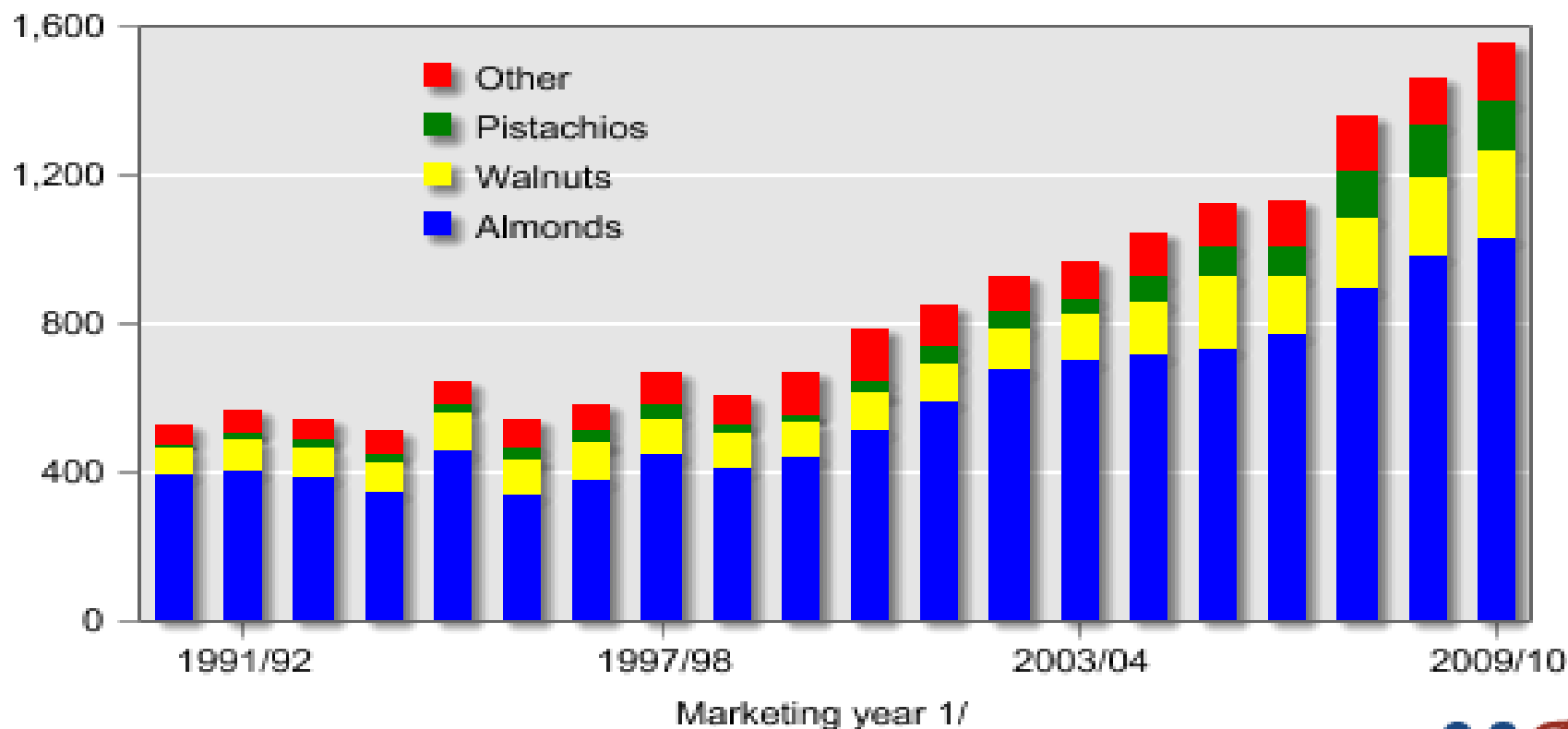
- **ABSENCE OF NEW PLANTINGS AND AN AGING GROWER POPULATION WAS AN OBVIOUS INDICATION THAT GROWER PRICES WERE TOO LOW**
  - **GROWER LEVEL PECAN PRICES BELOW \$4.50 A POINT ARE NOT CONDUCIVE FOR THE GROWER AND GROWTH OF THE INDUSTRY**
  - **AS EVIDENCE, HISTORIC LEVELS OF PECAN PRODUCTION INDICATES A STAGNANT INDUSTRY**
- **A YOUNGER GROWER BASE AND INCREASED PLANTING IS AN INDICATION OF PROFITS AND GROWTH**
  - **PECAN PRICES OF \$5.00 A POINT AND HIGHER WILL ENCOURAGE GROWTH OF THE INDUSTRY**
  - **PRICES WITHIN THE LAST 3 YEARS HAVE ENCOURAGED A RAPID EXPANSION OF THE INDUSTRY**

# ALMOND BLOOMS



## Almonds account for largest share of U.S. tree nut exports

Million pounds (shelled basis)



1/ Marketing years for tree nuts vary but generally start in the late summer.  
Source: USDA, Economic Research Service using data from U.S. Department of Commerce, Census Bureau.



# ALMOND INDUSTRY



## A GROWTH MODEL FOR PECANS

- In 2001, Doug Youngdahl was named CEO and President of Blue Diamond – the Almond Growers Cooperative
- Youngdahl developed a model for growing both the supply and demand for Blue Diamond Almonds

# YOUNGDAHL MODEL PREMISE

- THE SUPPLY / DEMAND REALITY
  - ▣ ADDITIONAL SUPPLY CREATES ADDITIONAL DEMAND
- AND THAT, LARGE CROPS IN AN ENVIRONMENT OF INCREASING DEMAND DOES NOT NECESSARILY NEED TO REFLECT A REDUCTION IN PRICE
  - ▣ LOWERING PRICES IN A GROWTH ENVIRONMENT ONLY HINDERS EXPANSION
- LARGER CROPS OFFER AN OPPORTUNITY TO MANAGE THE GROWTH OF THE INDUSTRY

# GROWTH OF THE ALMOND INDUSTRY

- Production of Almonds increased from 400,000 mt in 1990 to 800,000 mt by 2009
- Global consumption of almonds has increased 9% annually since 2000
- Currently, ALMONDS are a \$1.5 billion business In California, up from \$700m in 1995



# CREATE A DIALOGUE IN THE PECAN INDUSTRY



## THE GUIDELINES

- ❑ GROWERS NEED A PROFIT TO GROW THE INDUSTRY
- ❑ A STRONG DOMESTIC SHELLING INDUSTRY IS ESSENTIAL TO GROWTH
- ❑ EXPORTS MUST PLAY A VITAL ROLE IN SUPPORTING SUSTAINED GROWTH

# THE SOLUTION

- ***THE HISTORICAL ADVERSARIAL RELATIONSHIP BETWEEN GROWERS AND SELLERS***
  - **THIS HAS GOT TO COME TO AN END AND WE MUST EVOLVE TO A POINT THAT GROWERS AND DOMESTIC SELLERS WORK TOGETHER FOR THE BETTERMENT OF THE PECAN INDUSTRY**
  - **WE CAN NOT GROW AND SUSTAIN THE INDUSTRY AS A WHOLE WHEN ONE ONLY PROSPERS AT THE EXPENSE OF THE OTHER**
  - **STRATEGIC GROWER/SHELLER RELATIONSHIPS AND CRITICAL PRICE POINT TARGETS ARE NECESSARY FOR SUSTAINED AND MANAGED GROWTH OF THE INDUSTRY**

**IT IS MY OPINION THAT AS A SELLER, IF YOUR BUSINESS MODEL IS TO BE THE LOWEST PRICE PROVIDER TO THE MARKET, YOU WILL NOT SURVIVE**

# ***WAYS THAT GROWERS CAN SUPPORT THE DOMESTIC SHELLING INDUSTRY***

- **GROWERS CAN:**
  - **WORK WITH SHELLERS TO PROVIDE GURANTEED SUPPLY**
  - **PROVIDE AN INVENTORY BASE FOR CARRYING PECANS FORWARD (ON-FARM COLD STORAGE)**
  - **SERVE AS A MEANS OF LEVELING OUT SUPPLY/DEMAND ISSUES**
  - **PROVIDE THE SHELLER WITH ABSOLUTE POINT OF PURCHASE INFORMATION**
  - **REDUCE THE SHELLER'S CASH REQUIREMENTS FOR PURCHASE**
  - **REDUCE SHELLER'S EXPOSURE TO DOWNSIDE RISK**
  - **GIVE DOMESTIC SHELLERS FIRST OPPORTUNITY FOR PURCHASE PRIOR TO EXPORTING**

# THE SHELLERS

- WOULD NEED TO SUPPORT A PRICE POINT THAT WOULD ENCOURAGE MANAGED GROWTH AND SUSTAINABILITY OF THE INDUSTRY BOTH AT THE SHELLER AND GROWER LEVEL
- TO ACCEPT THE PRINCIPLE THAT INCREASED INVENTORY OR PRODUCTION IN THE ENVIRONMENT OF INCREASING SUPPLY AND DEMAND DOES NOT NECESSARILY HAVE TO REFLECT LOWER PRICES IN THE MARKET AND TO THE GROWERS
- COULD DEVELOP STRATEGIC RELATIONSHIPS WITH GROWERS OR THE INDUSTRY TO GUARANTEE SUPPLY TO COVER NEAR AND LONG-TERM POSITIONS FOR EXPANSION, INCLUDING CAPITAL

# THE PECAN INDUSTRY

- CREATE A UNIFIED DOMESTIC AND INTERNATIONAL STRATEGY LED BY THE NEWLY CREATED NATIONAL PECAN COUNCIL TO GROW THE INDUSTRY
  - CONTINUE TO SUPPORT EXPORT DEVELOPMENT
    - MAP INITIATIVES – DIVERSIFY EXPORT DEMAND
  - DEVELOP A NATIONAL EFFORT EQUALLY SUPPORTED BY ALL PARTIES TO INCREASE DOMESTIC CONSUMPTION
    - THE NUTRITIONAL VALUE OF PECANS
    - GENERIC SUPPORT FOR DOMESTIC MARKETING INITIATIVES
    - PECAN INCLUSION IN SCHOOL LUNCH PROGRAM
  - DEVELOP AN EQUITABLE FUNDING SOURCE TO SUPPORT BOTH
    - NATIONAL CHECK-OFF

# FUTURE OF PECAN INDUSTRY

