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Pecan Industry: Current Situation and Future Challenges, Third National Pecan Workshop Proceedings

Agricultural Economics II

1:00 - 1:25 p.m. Tuesday June 23, 1998

Speaker: Scott Landgraf

NOTE: Scott introduced his wife Janice and established the base that he operated the orchard and that Janice operated the retail sales outlet. As such, Janice would be asked to help answer questions.

Question: What varieties are more in demand?

Answer: Janice - Mohawk, but as with most other varieties you must shake the trees hard at harvest. If we shake the trees hard and get most of the crop, we can dry the pecans and quality is generally excellent. Choctaw and Pawnee are two other popular varieties.

Question: Some small "mama/papa" direct sales outlets by a highway want to switch to a shelled product. The question is should they and what are some of the problems and constraints?

Answer: Yes they should. If they are thinking of going in that direction due to demand for these services, that should be the logical next step. Our operation has shifted in that direction. They should plan to shift in progressive steps - part next year, or maybe the year after that. Shifting to incorporate shelling facilities is a matter of controlling quality. By controlling the whole process, we can also control and assure quality. I would not recommend going into cold storage. We concentrate on servicing customers with a high quality fresh product on buying days only. Janice Landgraf: Ten years ago buyers would buy whole pecans in-shell and crack and shell their own. That demand has dwindled. With a 60 year plus age customers group, they want complete products. This means having cracked, shelled and even going as far as placing them (the pecans) in freezer bags. We concentrate on providing a customer service oriented product.

Question: Whether we (speaking collectively about the pecan industry) have a crop or not and the quantity and quality of that crop makes a big difference in the market place. How

do you decide to keep going, speed it up or slow it down?

Answer: Generally, we are not faced with those problems. With the exception of one year, when we froze out, we have not had trouble filling our quality standards from our own resources. So far, we have met our quality standards. That is to say that we do whatever it takes to assure quality, starting at the orchard ie., if it takes 24 hrs per day to irrigate, that is what we do. We know that our market will clear about \$1.75-2.00/lb in-shell, so we gear our whole input scheme based on that profit potential.

Question: Do you mechanically thin as part of your quality control program?

Answer: Yes, the primary focus of our operation is quality since we depend strictly on customer referrals. We thin and do whatever else is necessary to control quality. In addition, one year not too many years ago, over-production by Mohawk was the cause of the death of trees. Death of trees got our attention very quickly. Dr. Smith's (Dr. Michael Smith, Hort. Dept., Oklahoma State) work in the area of thinning made our system work. Crop load management is an excellent tool to maintain the orchard, manage production and improve quality.

Question: What size orchard do you operate?

Answer: 170 acres irrigated and 160 acres dryland. The acres dryland are located in deep alluvials soils. Seventy of the irrigated acres are in the process of being re-planted to other crops. We will probably end up with 100 acres irrigated and 160 acres dryland. The key is proper nutrition, water and management. The orchard will produce.

Question: Small Alfalfa producers with 5-10 acre operations are looking for alternative crops. Is it possible to switch this 5-10 acre operations to a pecan orchard?

Answer: Its possible, but economies of scale play a big part. For example, a new sheller will cost \$15,000 or more, a small building will cost \$10,000 or more. The associated required equipment may make it very difficult for a small operation to operate efficiently.

In addition, developing a market becomes a real challenge. We moved to the direct market when the best we were offered, as a small orchard, was \$0.65/lb. We worked hard to develop a market and now cover Ada Oklahoma, but ship all over the U.S., including Germany. We build on a referral customer relation system which works quite well for us. A new small grower would have to do all this, plus develop his production system. This may be possible by only very few individuals.

Question: Do you have limitations of the quantity i.e., the minimum and/or maximum purchasing quantities?

Answer: No limit. Whatever quantity from zero to however much quantity a customer wants. Our customers are free to roam the store and sample the pecans. We have trash bins throughout the store and actually encourage sampling. Very seldom does too much sampling become too costly. Its the cheapest form of advertizing that we have.

Question: Making cookies - What variety would you recommend on making cookies?

Answer: Janice: Don't use Mohawk. Maramec is a good variety. Most varieties lend themselves to making cookies.

Question: What about the Internet? Do you market through the Internet and/or plan to expand to that system?

Answer: No and that system is not a priority for now. Our customers base keep us busy. At this time we are satisfied with our customer base and feel that we do not need to expand to that and other marketing schemes. For example, as we travel throughout the country, I take Janice to other similar shops. We compare their products. I constantly suggest items to Janice which we may want to carry in our shop. Janice has come up with a good response: people come in (to our shop) with a certain amount of dollars to spend. What is our business - pecans or trinket sales. After this analysis we end up concluding that our business is pecan sales. That is what we know, can control and forms our base for our marketing plan.

Comments by Dr. Storey: On the way from El Paso to Ruidoso, we passed the Eagle Ranch retail outlet. This is a first class operation. They planted a pistachio orchard and now have expanded by adding a sales outlet where they carry pistachios plus trinkets.

Question: Are you going to build any storage facilities and expand your operation?

Answer: We concentrate on the fresh market. Our outlet operates only during the Nov.-Dec. period, coinciding with the harvest. If we decide to extend, the purpose of storage would be to extend our operation through the May-June period, which we are not willing to do at this time. At this time, we plan to continue to concentrate on the high quality fresh market. We focus on this high quality fresh market in our daily operations. For example, we don't crack pecans ahead of time. We focus on cracking them fresh. If someone buys pecans, we crack the pecans for them, if they want this service, at the time of purchase.