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THE EDIBLE NUT MARKET AND PRICE INFORMATION

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WHO IS THE FOOD INSTITUTE?

The Food Institute (FI) is a non-profit 501-c-6 trade association. It is governed by a board of trustees and supported by contributions of its members. The FI differs from other associations because it does not lobby or organize conventions or trade shows. Since the company does not accept advertising, it is considered an unbiased source of information.

Since 1928, the association has provided its members with timely, accurate and pertinent information. The Food Institute Report (FIR), published weekly on paper and "on-line," follows numerous food markets, including the pecan market.

SECTIONS OF THE FOOD INSTITUTE REPORT - HOW DO THEY RELATE TO THE PECAN MARKET

The three main sections of the FIR offer an update on what is new about competition, customers, governmental actions, and market developments. Each section deals with a distinct set of issues or reports.

The "Digest Section". This section provides information on industry trends, electronic retailing, retail outlets including supermarkets and changing consumer preferences, new product introductions, mergers and acquisitions, etc.

The "Digest Section" provides the following information pertaining to the pecan industry:

- New products containing pecans with the name and the phone number of the company introducing the product;
- Consumer trends and trends influencing nut consumption;
- Changes in consumers' perception of nuts and other food items; for example, the influence of health concerns, income level, age, gender, etc. on consumer nut purchase,
- Supermarket sales trends.

The FIR regularly compares the dollar value of supermarket sales and sale volumes of nuts to other food items. In addition, reports on new technology effecting the Pecan Industry are prepared. Reports on weather patterns effecting the Pecan Industry and the edible nut market broaden the information available to readers.

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The "Washington Section." This section informs about food product recalls, Federal Register Notices, changes in state and federal legislation regarding issues relevant to the food industry, news from government agencies including the U.S. Department of Agriculture (USDA), the Food and Drug Administration (FDA) and others, and precedent setting court cases.

The FIR contains pecan related information including recalls of all products containing pecans. In addition, news pertaining to the imports and exports of pecans are reported as they become available. A particularly important service provided by the FI has been closely following court cases involving Federal Marketing Orders.

The FI also offers a legal library on HACCP and food safety, Occupational Safety and Health Administration (OSHA) inspections, and food labeling issues. These reports are prepared and authored by the well known Washington D.C. based firm Olsson, Frank & Weeda, specializing in the food industry issues.

The "Market Section." The FIR may be best known for its "Market Section." The "Market Section" reports on numerous processed and commodity markets. The information is gathered from government and industry sources by a staff of industry analysts. A food industry analyst specializes in a group of commodities or food products and is an expert in a particular area, for example, edible nuts and nutmeats. The analyst has up-to-date information on market trends and conditions, production, pricing, etc. on all edible nut markets including pecans. The analyst is also able to provide historical information on edible nut markets for volume or price comparisons over time. The FI members have free access to this information although they charged a nominal research fee for the research of more complicated issues or questions. A large portion of the "Market Section" is devoted to the report titled "Nuts and Nutmeats." This section covers pecans, walnuts, pine nuts, cashews, Brazil nuts, almonds, pistachios, peanuts, coconut, hazelnuts, and macadamia nuts. On a weekly basis or as often as information becomes available, the report provides price and market information.

THE WEEKLY FOOD INSTITUTE REPORT'S PECAN SECTION

Cold Storage Holdings. The volume of in-shell and shelled pecans stored in cold storage in the U.S. is collected by USDA. A survey of all cold storage facilities is conducted by USDA officials, and when released becomes public information. Cold storage stocks are an important part of evaluating the market situation and the available supply. While cold storage holdings data greatly influences wholesale pricing, its importance could be altered by the way in which the industry interprets the data because it is uncertain what percentage of pecan cold storage stock is

saleable. A portion of cold storage stocks may already be contracted yet reported as cold storage in inventories. In addition, reports on overall quality of available supplies are not available. These gaps in information cannot be easily overcome without the industry cooperation.

Price Trends. The FI provides two years of price trends on a monthly basis to its on-line readers. The paper copy of the FRI compares current pricing with prices reported twelve months earlier. Five year price trends are published in the annual Food Markets in Review series. The FI could provide longer price series information to its members upon request.

Per Capita and Total Consumption. Consumption of pecans is closely correlated with wholesale pricing and available supplies. However, consumers' attitudes and preferences affect consumption in the long term. The yearly Food Markets in Review publication provides a ten-year series of pecan consumption data.

Import and Export Data. The FIR closely follows imports of pecans from major sources such as Mexico and minor producers, e.g., Australia. Imports, especially from Mexico, have been greatly influencing prices in the United States because the volume imported adds to domestically produced crop..

Production and Acreage Estimates. The FI reports on the subjective and objective estimates. The subjective estimates are generated by the industry segments, while the objective estimates are provided by USDA. Furthermore, having access to historical data, the FI puts them in perspective by making comparisons to production data from prior years.

News on Foreign Production. Reports on production of edible nuts in major producing countries as well as market reports on countries consuming pecans such as Germany, Canada and the Netherlands are also published periodically. For many edible nuts, overseas markets represent important outlets and foreign demand can dramatically affect nut prices.

CROP ISSUES

The food industry analyst gathers information on the trade's perception regarding the overall quality of the crop or available supplies by contacting industry sources. Trade sources are constantly tracking crop situation, evaluating its outlook, and interpreting the observed events. Trade sources are capable of providing information about the new crop before official estimates are published. The speed with which the FI can communicate pertinent information to its members is important for making business decisions.

ANNUAL REPORTS

The January issue of the FIR contains a two-year price trend of each edible nut market including pecans. The FI also publishes its Food Markets In Review series on several markets including Nuts and Nutmeats. This publication covers five years of market trends, including price trends of several nut items; hence prices are easy to compare.

The FI reports prices of pecans for three grades: Fancy Halves and Pieces, Choice Halves and Pieces, and Standard Halves and Pieces. 'Fancy' refers to the highest quality product with the best kernel color. 'Choice', the second best grade is somewhat darker than 'Fancy', and 'Standard', the darkest color kernels, is the third best grade.

Pecan pieces are sized by screens while halves are evaluated by count per pound. Some of the most popular grades of pecans are expected to contain the following number of halves per pound:

Fancy Mammoth Halves	201-250 count per pound
Fancy Junior Mammoth Halves	251-300 count per pound
Fancy Jumbo Halves	301-350 count per pound
Fancy Large Halves	451-550 count per pound
Choice Medium Halves	551-650 count per pound

Pecan pieces, sized by screens, must meet the following requirements:

Fancy Extra Large Pieces through 36/64" over 32/64"
Fancy Large Pieces through 32/64" over 24/64"
Fancy Medium Pieces through 24/64" over 16/64"
Choice Medium Pieces through 24/64" over 16/64".

For simplicity, the FI regularly reports on Fancy Jumbo Halves and Choice Medium Halves as well as Fancy Large Pieces and Choice Medium Pieces. Price spreads between all grades exist, but are not reported due to technical reasons.

HOW THE DATA IS COMPILED?

A food industry analyst conducts a survey of the industry over the telephone. Among those surveyed are food brokers, suppliers, and buyers. Once the data on pricing and other issues are compiled, a summary report is prepared and published in the FIR. Respondents to the survey are assured of full confidentiality.

The National Pecan Shellers Association (NPSA) provided the FI a list of its members and offered cooperation and help in developing pricing and other market information. This working relationship benefitted the FI and the entire Pecan Industry because some NPSA members regularly contribute to the FIR.

Other sources/agencies used in developing accurate and useful statistics are:

- U.S. Bureau of Census, which provides current and historical statistics on import and export data by country and commodity. For pecans inshell and shelled product imports are covered. The government uses the following harmonized codes for pecans: 0802901000 Pecans Inshell, and 0802901500 Pecans Shelled.
- Economic Research Service-USDA supplies statistics on consumption of nuts including pecans. Production statistics, acreage information, crop estimates, etc. are also available.
- Foreign Agricultural Service-USDA provides data on production and acreage in foreign countries. Also, focus presentations on markets of major nut consuming countries have been available.
- Industry associations such as the NPSA and the Texas Pecan Growers Association provide production estimates which are independent of the USDA estimates.
- Universities provide useful statistics on uses, utilization and distribution of edible nuts. The University of Georgia supplies most of this information on pecans.

The challenge in collecting pricing information on pecans and other edible nuts. Many domestically produced nut markets are two tiered. Prices offered by smaller companies are generally lower than their larger counterparts with a large market share. Smaller competitors are in a greater need of cash to purchase new crop or to repay loans accrued during harvest. Larger companies tend to have fewer problems with liquidity, hence are generally firmer on pricing.

The gap usually dissipates once stocks owned by smaller companies are sold. Also, during years of short crop, prices charged by small companies tend to increase at a faster rate and the gap is very small or non-existent. The FI has dealt with this problem by reporting price ranges rather than a single price for a specific grade.

The entire industry is effected by two tiered pricing which causes “softening” of prices at all levels of trade. Large companies claim that their profits are negatively impacted by this practice. Profits of smaller companies are also depressed because actual sales can take place at or below the processing costs. “Blow out” sales confuse the market leading end users to perceive ‘bargain’ prices as true market price levels. On numerous occasions, the FIR clarified such misunderstandings.

WHO USES THE INFORMATION COLLECTED?

The FI members include grocery retailers, grocery manufacturers, food service distributors, importers, exporters, schools/colleges, governments/associations, banks, brokerages, etc. Nearly 5,000 food industry executives in organizations in the United States and 40 foreign countries receive the FIR every week. Based on the FI survey, it is estimated that approximately 25,000 people read it every week. Some of the largest users and suppliers of pecans are among the FI members. Most large supermarket chains throughout the country are also members as is a significant number of confectioners, bakers, food service operators and wholesale distributors. These companies are important buyers of pecans.

The FI is determined to provide accurate, pertinent and timely information to its members. Such information will benefit the entire food industry as the increased amount of accurate information makes possible the making of educated decisions. The FI believes that through better decision making companies can and will become more profitable in the long run. The FI provides the tools that aid decision-making.