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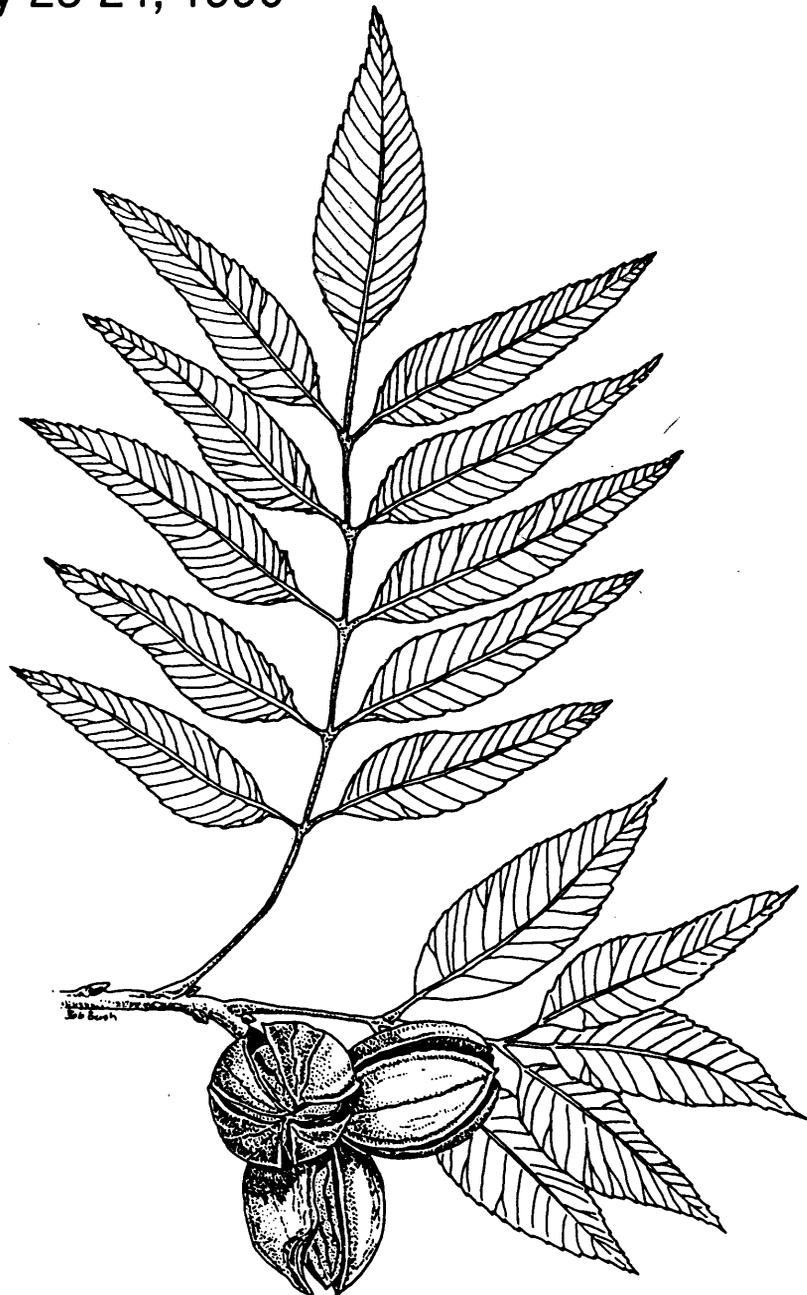
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Pecan Husbandry: Challenges and Opportunities

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INTERNATIONAL MARKETING

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ABSTRACT

The pecan industry presents a text book example of how supply and demand work. During large supplies price weakens and during low supplies the price strengthens. The market base for pecans has been such that when a large pecan crop is harvested it takes one to three years to work out of it depending somewhat on weather patterns in the succeeding years. In an effort to broaden the market base for pecans whereby general profitability in the industry might be stabilized the Noble Foundation is attempting to help develop international markets for pecans. Food shows and sales mission trips have been the major emphasis for market development.

The Far East, Canada, and Europe have been the geographical areas of most concern. Good potential exist in all of these countries. Parts of Europe have proven to be most receptive to pecans with Japan showing signs of interest. Emphasis on nutritional characteristics of pecans will be important as well as improved packaging technology for wider market potential.

INTRODUCTION

There are many facets of international marketing. It involves all the intricacies of domestic trade plus several additional challenges not usually present when doing business at home. Because of these additional challenges there usually exists the potential for greater rewards. This potential for greater rewards is generally what provides the impetus for many companies to become interested in exporting.

Even though greater profits may be the primary concern in exporting other reasons may be important. The opportunity to broaden a product's market base while increasing sales is an attribute of foreign trade. Wider sales distribution areas

can be helpful in offsetting a portion of adverse market conditions domestically. In the pecan industry all too often the law of supply and demand is allowed to perform a text book example. During years of high production low prices prevail and during years of low production high prices prevail. It is conceivable that if the market base for pecans was increased, the extreme fluctuations in pecan prices might partially subside. If wide swings in pecan prices could be narrowed then stability in profits should increase. It is with this thought in mind that the Noble Foundation decided to pursue the development of international markets for Oklahoma produced pecans with emphasis on kernels from seedling or native pecans.

THE NOBLE EXPERIENCE

The idea of developing international markets for Oklahoma produced pecans was first conceived in March of 1988. It was not until later that year in October, however, before the idea gained enough momentum and support to justify a meeting with representatives from the Department of Agricultural Economics at Oklahoma State University, the Center for International Trade at Oklahoma State University, and the Oklahoma Department of Agriculture. After the meeting a "Pecan Export Marketing Proposal" was prepared which outlined a plan to develop international markets and the countries likely to be the best prospects.

There are three main objectives listed for the project. The first objective is to develop markets in other countries for Oklahoma produced pecans. To accomplish the first objective on a sustainable basis, two other objectives must be achieved; establish a network of contacts around the world so that when markets are developed a local contact will be there to maintain and service that market, and help organize pecan growers in the state into some type of entity that will continue to supply the international markets developed and work with the contacts established. These three objectives are listed as the major thrusts of the project although several more challenges will be addressed in achieving the three main objectives.

In the proposal it was concluded one of the best ways to gain entry into the markets of a foreign country is to exhibit at locally sponsored food shows. This was the route the Noble Foundation chose to pursue. However, before attending a food show the Agricultural Trade Office (ATO) in that country was contacted to obtain a list of local nut importers and/or users. This proved to be

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very beneficial. Each person or company on the list was contacted by mail and invited to the show with an offer to visit them personally if they could not attend the food show. Several contacts did come to the shows and made the effort to locate the booth for a personal visit.

The first endeavor to introduce Oklahoma produced pecans into a foreign country was made by a representative of the Oklahoma Department of Agriculture in January 1989. The representative took samples of Noble Foundation pecan kernels to a food show in London, England. Several good contacts were made at that show. In addition to England, international food shows in Japan, Canada and Boston were attended during the next five months. More good contacts were added to the file but no definite sales resulted up to this point. We had learned several things, however, that we could do that might help in expanding pecan markets.

Upon returning from Foodex, Japan's food show in Tokyo, we realized that we needed some type of brochure to leave with prospective customers. For the most part the Japanese were totally unfamiliar with pecans. No matter which way you said pecan they had never heard of it. The over 70,000 people who stopped by the booth and tasted pecans liked them. After observing the people at the food show and looking in the grocery stores in Japan it became obvious that the Japanese were ready for Western foods. They love beef, hamburgers, and ice cream.

Another need that became very evident after observing pecan displays at the retail level in eastern Canada was packaging technology. Contrary to other countries Canada did have pecan kernels in almost every grocery store but the quality was extremely low. Color and taste would have been totally unacceptable by most pecan connoisseurs.

After returning home from Canada we contacted the Food and Nutrition Department at Oklahoma State University for some help to determine how to increase the shelf life for pecans. They responded with a proposal to package some pecan kernels at four different oxygen levels and store one-half at room temperature and one-half at refrigerated temperature. Oxidation rates over time will be observed. Currently that study is in the infant stage but we are looking forward to learning a great deal on improved packaging techniques for pecans.

Though it seemed very little had been accomplished through the first six months of the project we

continued plans to attend more food shows and write more letters. We had been forewarned that much time was needed to develop overseas markets.

Plans were made to attend the ANUGA food show at Cologne, West Germany, recognized as the largest food show in the world. The Noble Foundation was invited to exhibit in the booth with the Oklahoma Department of Agriculture. Estimates were that nearly 200,000 people attended the show. If a company has any thoughts of selling in Europe ANUGA would be a show to attend. Buyers and sellers in the food industry from all over the world attend the ANUGA food show.

Before returning from the food show in Cologne, stops were made in Italy and England. Personal visits were made to nut users and handlers that had been arranged by mail. From start to finish, the trip took three weeks. Once back home, follow-up facsimiles were sent to all contacts that were made.

Follow-up communication is very important in establishing a relationship with potential customers. They appreciate information on a USA event, crop information and price outlook. The important thing is to show interest in them.

After the Cologne trip the big moment came. In January 1990, our first sale of pecans was made to a company in England. It was an exciting time for us. Plenty of mistakes were made in the exchange of U.S. goods for English pounds but they finally received their pecans and we finally received our money. Doing business internationally requires more than knowing the check is good.

The next trip took place in February 1990. We had the privilege of being invited to participate in a pecan sales mission trip to Europe with representatives from two major pecan shelling companies. The mission was organized and sponsored by the Southern United States Trade Association (SUSTA) located in New Orleans, Louisiana. This trip involved visits to West Germany, Holland and England. The Agricultural Trade Office in each country invited nut handlers in their respective country to their office where we made presentations to those in attendance. Refreshments and fellowship followed the meeting. Several acquaintances and contacts were made on this two-week trip. It allowed me the opportunity to meet other pecan exporters and learn from them during the mission.

Upon returning from the Pecan Sales Mission our second big surprise came. We received a contract for a second container of pecan kernels. This

contract was also from England but from a different company than the first. The second container is for July delivery.

A second trip to Japan for Foodex '90 took place in March 1990. The company we had corresponded with for so long helped us in the booth and set up meetings with several large confectioners after the show was over. We were able to accept an invitation to the Deputy Manager's house for dinner one evening. We felt real good about that. Since March the trading company has been working with confectioners in developing a pecan fruit cake. They plan to release the fruit cake to the market in August.

We have begun to gather ideas on how pecan growers of the State might assume responsibility for supplying these international markets. The type of organization and how it might be formed have been major topics of discussion. Once the formation of a marketing organization is accomplished this will move the three major goals of this project much closer to completion.

OBSERVATIONS

The time is right to be exporting. People, not only in Japan, but all over the world are looking for new foods, new styles of clothes and new places to go. Disneyland in Tokyo is bursting at the seams with people every day. Trade barriers are becoming less restrictive all over the world. History in Eastern Europe is being made almost every day with the political changes that are taking place. McDonalds has opened up a store in Moscow; an event that would have been impossible only a few years ago. The global environment is more conducive to international trade than it has ever been. It is a good time for any company that ever had aspirations of exporting to get with it.

It is like when I was growing up and the time came to kill hogs in the fall. We would dig a trench about six-foot long and three feet wide and fill it full of wood. Then my dad would place a big metal vat directly over the wood such that the two bottom edges rested on the sides of the trench. The vat was then filled with water and a fire started under it. The water was heated to scald the hogs so the hair could be scraped off. When the water was just the right temperature a hog went in. International trade is now at the right temperature for "the hog to go in". The water is right.

So far I might have led you to believe that international marketing is easy. That all one has to do is show up in a country and they will buy

whatever you have to sell. It is not quite that easy. To succeed in exporting it takes a strong commitment, a heaping amount of patience and some travel money. I am no expert on international trade, nor do I know many of the answers, but I do know that international trade is not easy.

For an example, we have been communicating with a Japanese trading company for about 18 months. I have written them 27 letters and have received 38 letters from them. I have personally visited them two times with a third visit planned in September and we have not sold them a pound of pecans. We are hopeful that something will come from the effort, but there is no guarantee. It appears the Japanese require an established relationship of trust and integrity before they are willing to do business.

Culture plays an important role when doing business in a foreign country. Knowing something of their religion, holidays, diet, recreational pursuits and business methods is very helpful. They appreciate you taking an interest in their country and their way of life. Speaking a word or two of their language is helpful and appreciated. Anything to make them feel good about you, your company and your country is to your advantage.

CONCLUSION

In closing let me share a quote by Mr. Phil Seng, President and CEO of the U.S. Meat Export Federation. Most of you can relate to this because you like beef almost as much as you like pecans. Mr. Seng stated "Export markets will play a much greater role than ever before in the future of the U.S. red meat industry. I'm bullish about the future of red meat exports and what we can achieve in foreign markets. By the year 2000 I think the U.S. can triple its exports to Japan. I also see positive developments unfolding in the whole China Pacific Rim region, Mexico, and in time, Europe".

Foreign markets have much to offer most agricultural commodities. Considering all that is happening worldwide and the emphasis on free trade it is very timely to be involved in international trade. It is not easy but the rewards are there for those who persevere.