



DANIEL J. ZEDAN

NATURE'S FINEST FOODS, LTD.

32W273 ARMY TRAIL ROAD

SUITE 200

PO BOX 17

WAYNE, IL 60184

PH: 630-377-2628 FAX: 630-377-3250

EMAIL: DZEDAN@AOL.COM

WEBSITE: WWW.NFFONLINE.COM

2010/2011 PECAN CROP OVERVIEW



LET'S PLAY
JEOPARDY!

Today's Categories

INTERNATIONAL TRADE

‘SHOW ME THE
MONEY’

THINGS THAT
GO UP

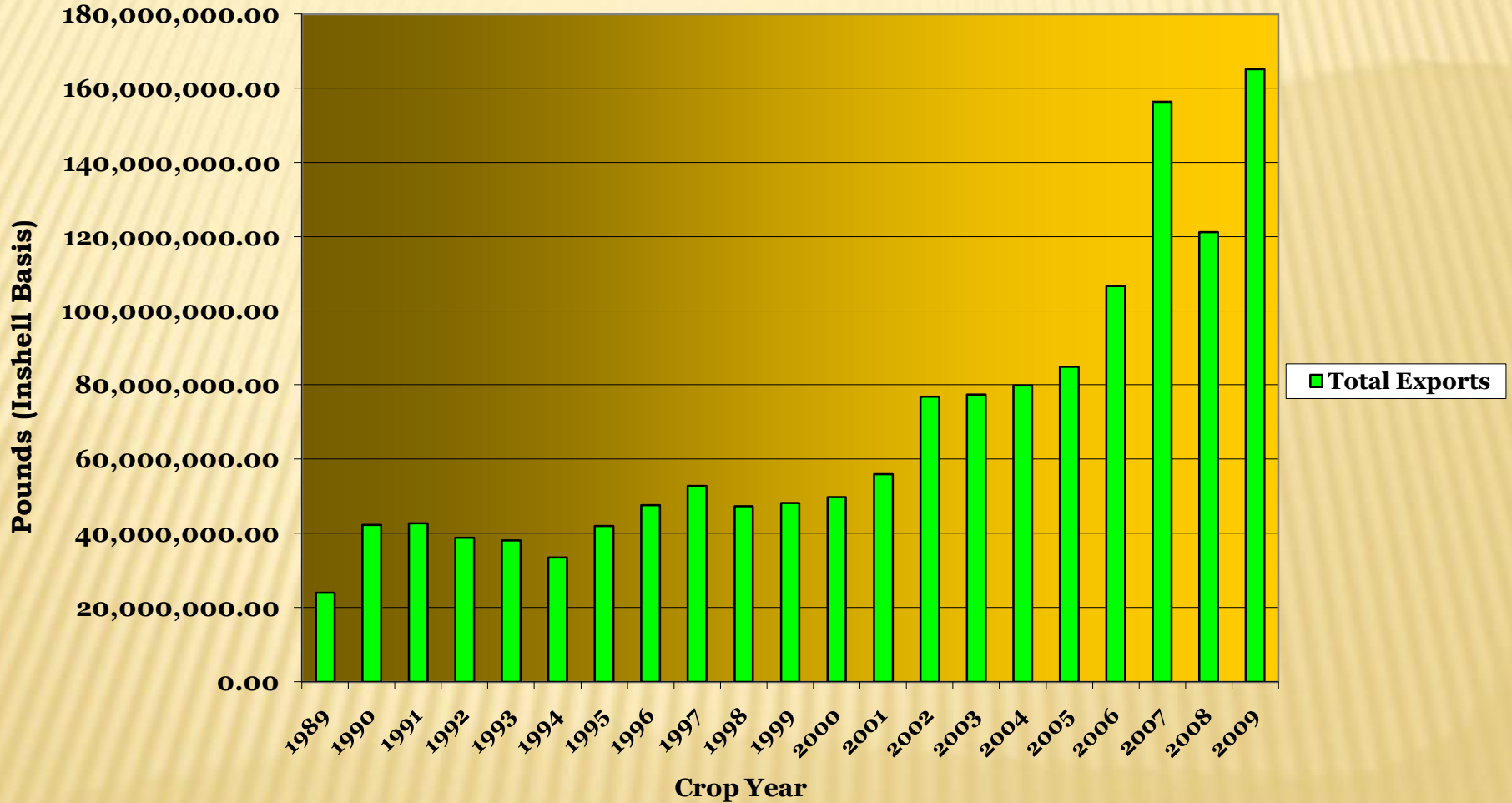
LET'S PLAY JEOPARDY!

INTERNATIONAL TRADE	“SHOW ME THE MONEY”	THINGS THAT GO UP
\$100	\$100	\$100
\$200	\$200	\$200
\$300	\$300	\$300

LET'S PLAY JEOPARDY!

INTERNATIONAL TRADE	“SHOW ME THE MONEY”	THINGS THAT GO UP
165,158,605 lbs	\$100	\$100
\$200	\$200	\$200
\$300	\$300	\$300

PECAN EXPORTS



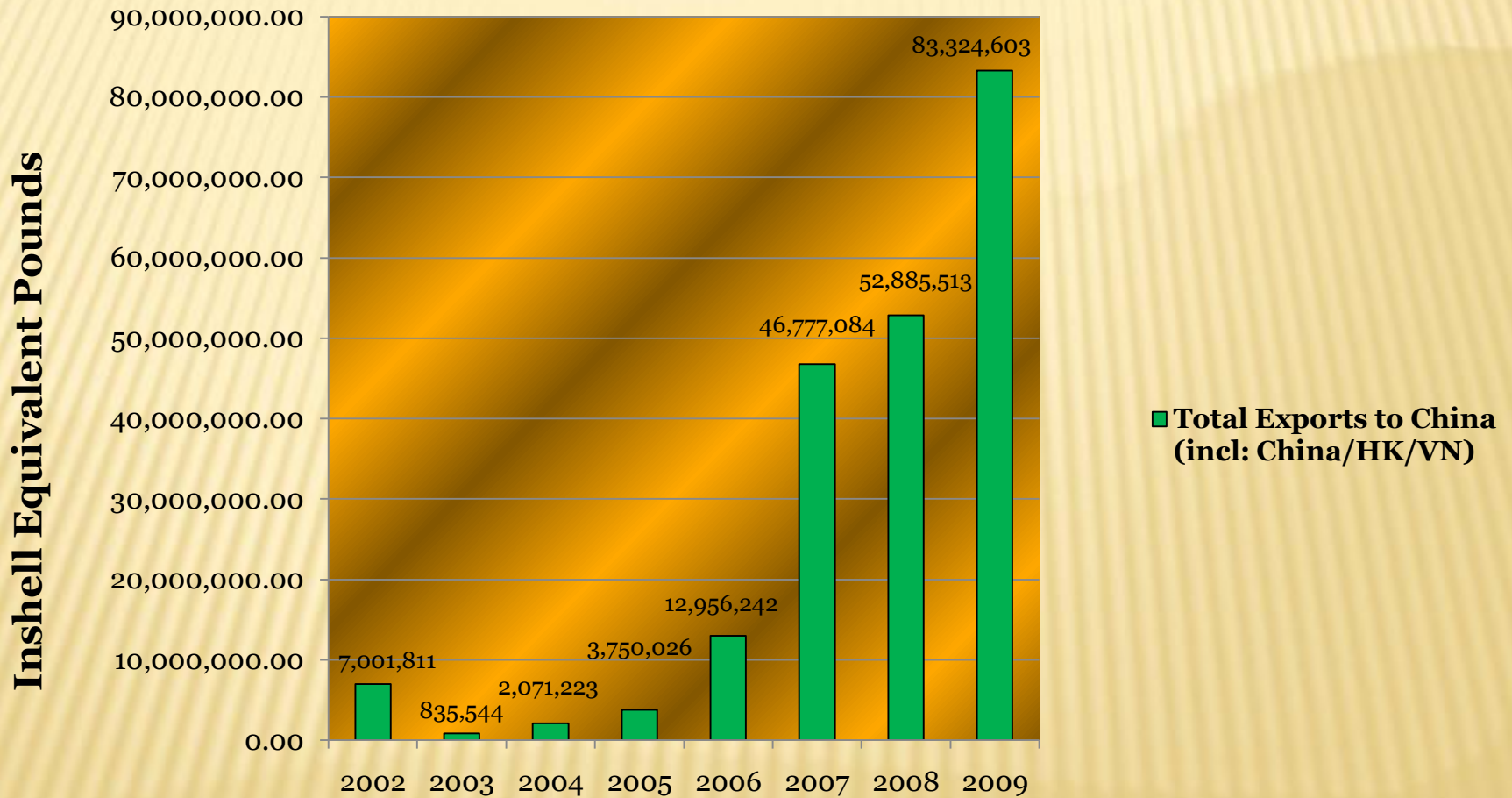
Source: Foreign Agriculture Service (FAS). FAS crop year runs from August 1 to July 31

CHINA

- ❖ Exports to China now account for almost 1/3 of US Pecan production, almost 55% of US Pecan exports and almost 22% of total worldwide production
- ❖ With the exception of China, shipments to most major Pecan users have declined over the past two years.
- ❖ Exports to China have created severe meat shortages in both the domestic & export markets and will continue to do so for the foreseeable future.

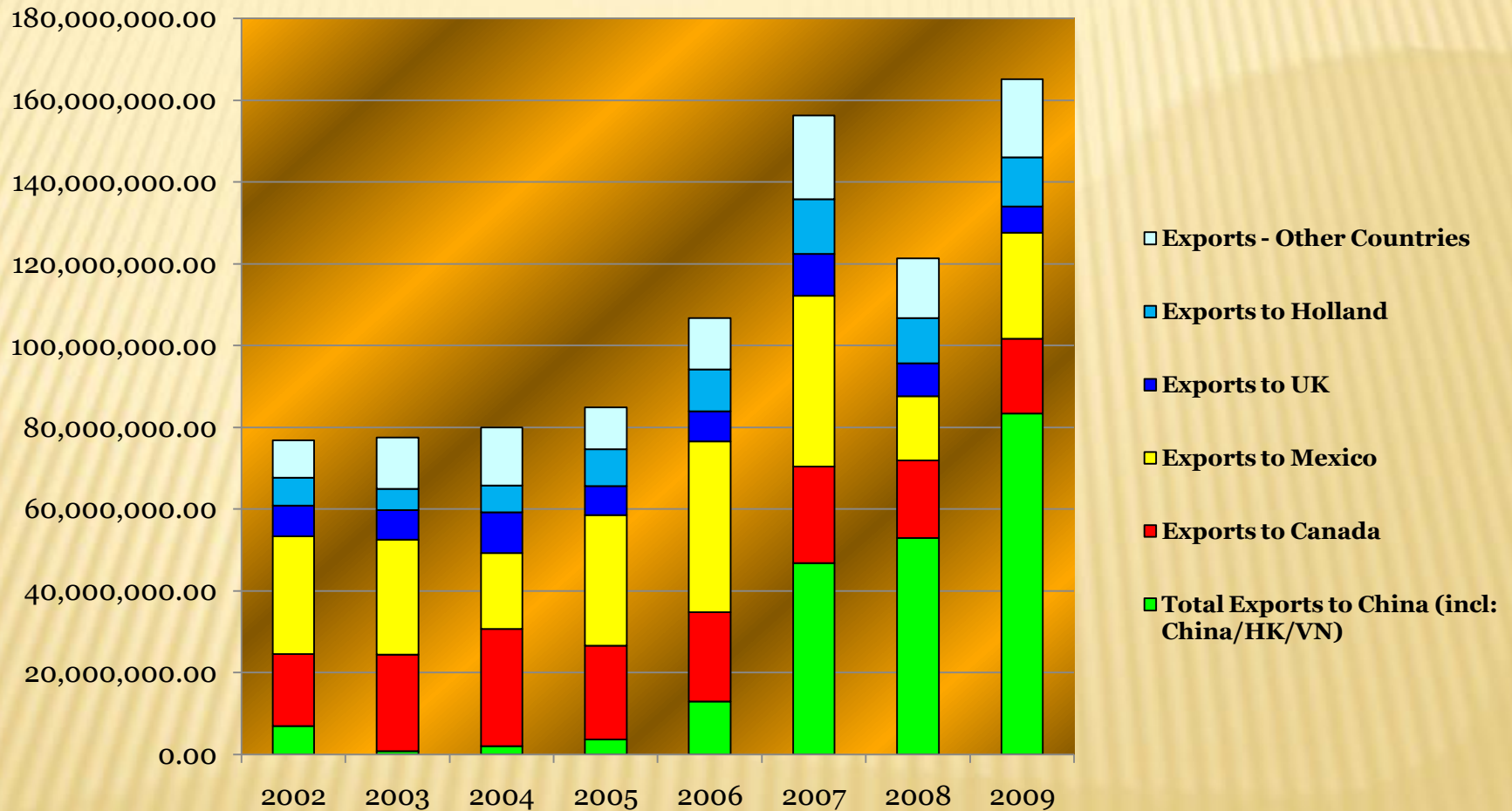
TOTAL EXPORTS TO CHINA

(CHINA/HONG KONG/VIETNAM)



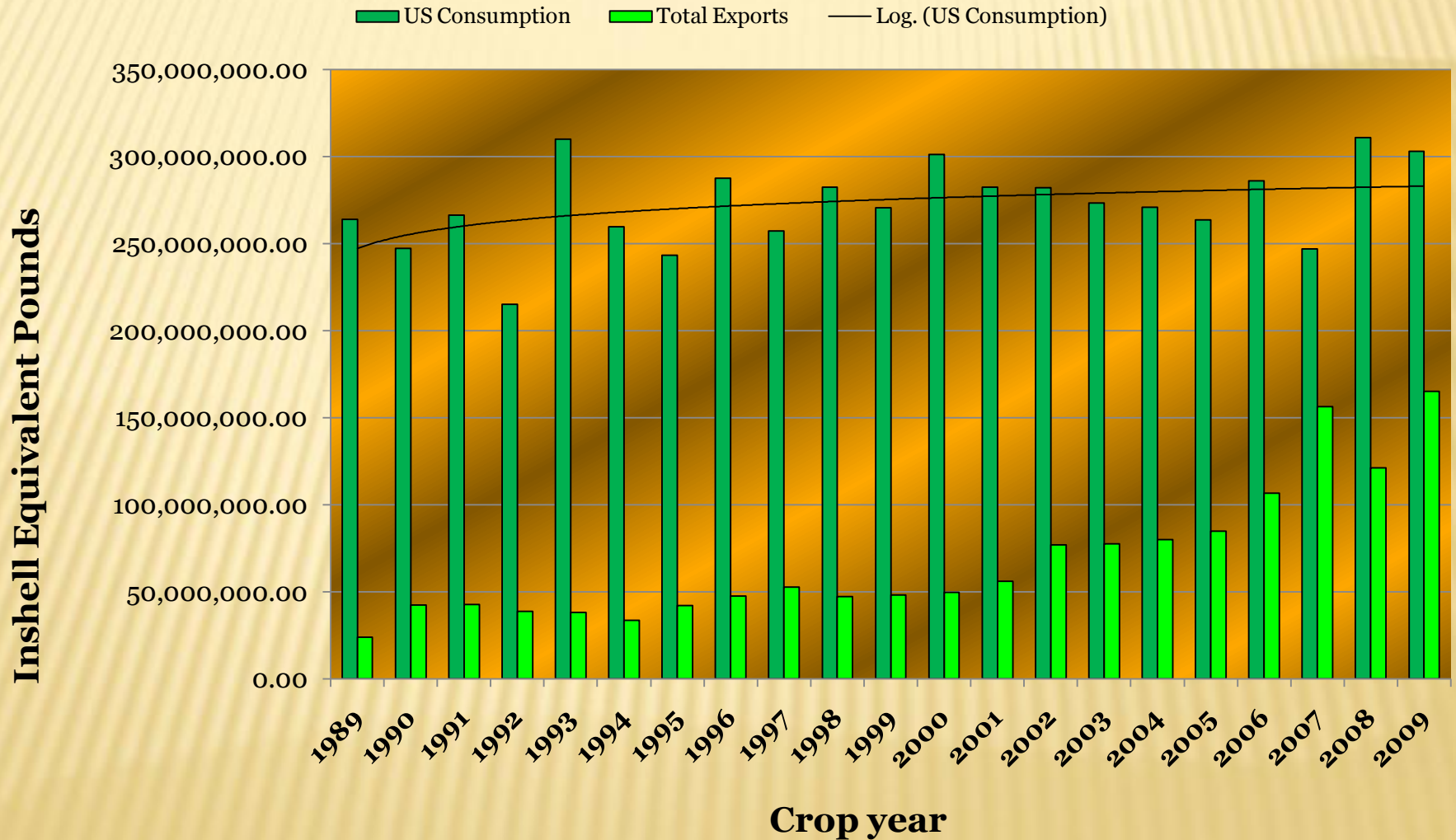
Source: Foreign Agriculture Service (FAS). FAS crop year runs from August 1 to July 31

EXPORTS BY COUNTRY



Source: Foreign Agriculture Service (FAS). FAS crop year runs from August 1 to July 31

US CONSUMPTION VS. EXPORTS



LET'S PLAY JEOPARDY!

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	\$100	\$100
\$200	\$200	\$200
\$300	\$300	\$300

LET'S PLAY JEOPARDY!

INTERNATIONAL TRADE	“SHOW ME THE MONEY”	THINGS THAT GO UP
	\$1.51/lb	\$100
\$200	\$200	\$200
\$300	\$300	\$300

INSHELL: PRICE/POUND PAID BY CHINA

(CHINA/HONG KONG/VIETNAM)



Source: Foreign Agriculture Service (FAS). FAS crop year runs from August 1 to July 31

WHAT WILL CONSUMERS DO?

- ❖ The average price paid for 2009 crop inshell by the Chinese was \$1.51/lb
- ❖ From August 1, 2010 thru October 31, 2010, the average price paid by the Chinese had fallen to \$1.48/lb
- ❖ By November 31st, the average price paid by the Chinese had jumped to \$1.74/lb with the November purchases averaging \$1.83/lb

WHAT WILL CONSUMERS DO?

- ❖ By December 31, 2010, the Chinese were paying approximately \$3.00/lb for inshell
- ❖ Not only did the Chinese raise meat prices by over 60% in the US, they raised their own costs almost 100%

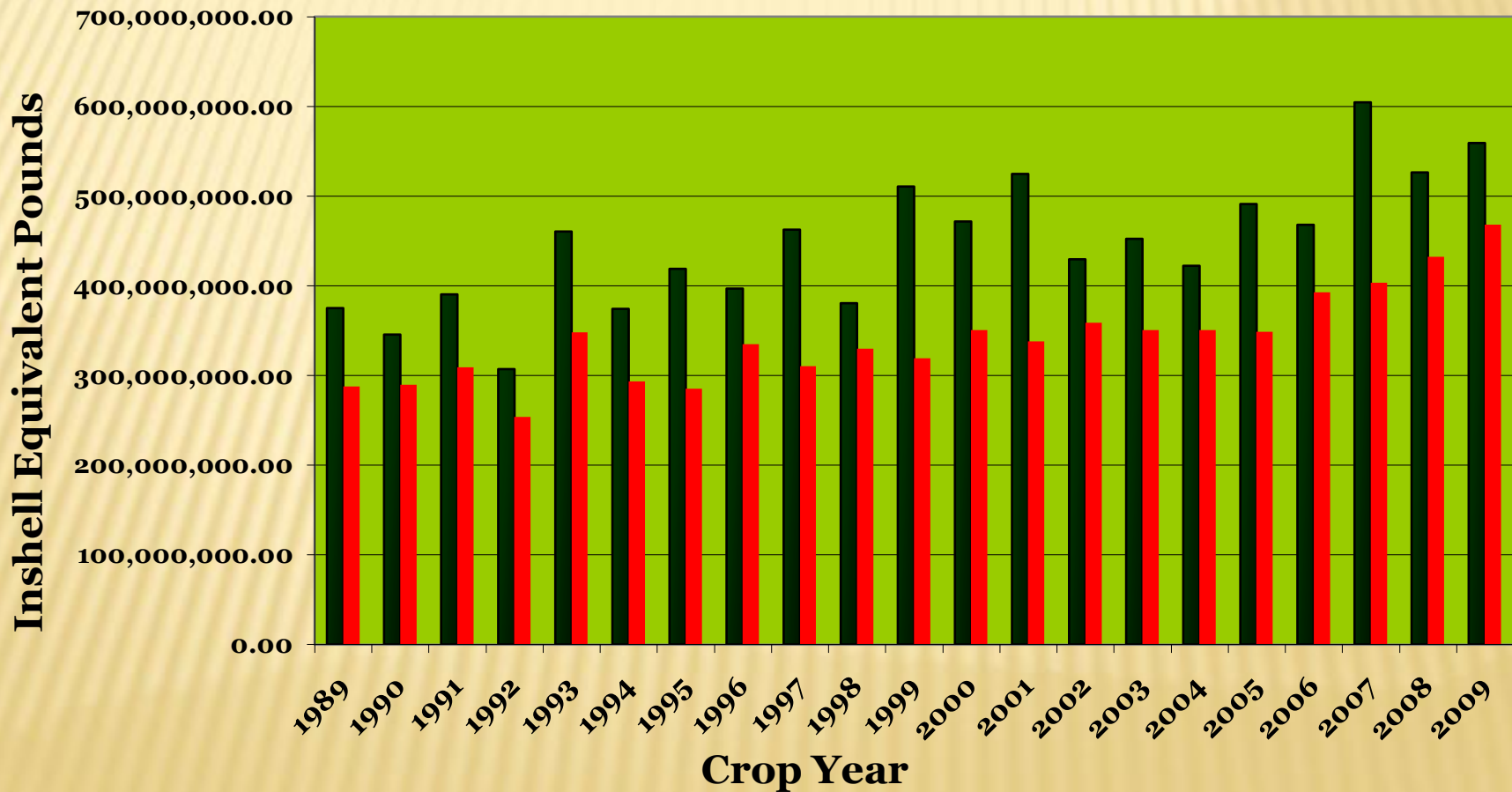
LET'S PLAY JEOPARDY!

INTERNATIONAL TRADE	“SHOW ME THE MONEY”	THINGS THAT GO UP
		\$100
\$200	\$200	\$200
\$300	\$300	\$300

LET'S PLAY JEOPARDY!

INTERNATIONAL TRADE	"SHOW ME THE MONEY"	THINGS THAT GO UP
		468,247,487 lbs
\$200	\$200	\$200
\$300	\$300	\$300

TOTAL SUPPLY/CONSUMPTION



LET'S PLAY JEOPARDY!

INTERNATIONAL TRADE	“SHOW ME THE MONEY”	THINGS THAT GO UP
\$200	\$200	\$200
\$300	\$300	\$300

LET'S PLAY JEOPARDY!

INTERNATIONAL TRADE	"SHOW ME THE MONEY"	THINGS THAT GO UP
\$200	\$200	S. Africa
\$300	\$300	\$300

PECAN EXPORTING COUNTRIES

- ❖ United States
 - ❖ Mexico
 - ❖ Australia
 - ❖ South Africa
 - ❖ Peru
 - ❖ Israel
- ❖ >257,000,000 lbs
 - ❖ >113,000,000 lbs
 - ❖ < 8,000,000 lbs
 - ❖ < 8,000,000 lbs
 - ❖ < 1,000,000 lbs
 - ❖ < 300,000 lbs

**COUNTRIES PLANTING PECANS
INCLUDE CHILE, ARGENTINA, BRAZIL
AND CHINA**

LET'S PLAY JEOPARDY!

**INTERNATIONAL
TRADE**

**"SHOW ME THE
MONEY"**

**THINGS THAT
GO UP**

\$200

\$200

\$300

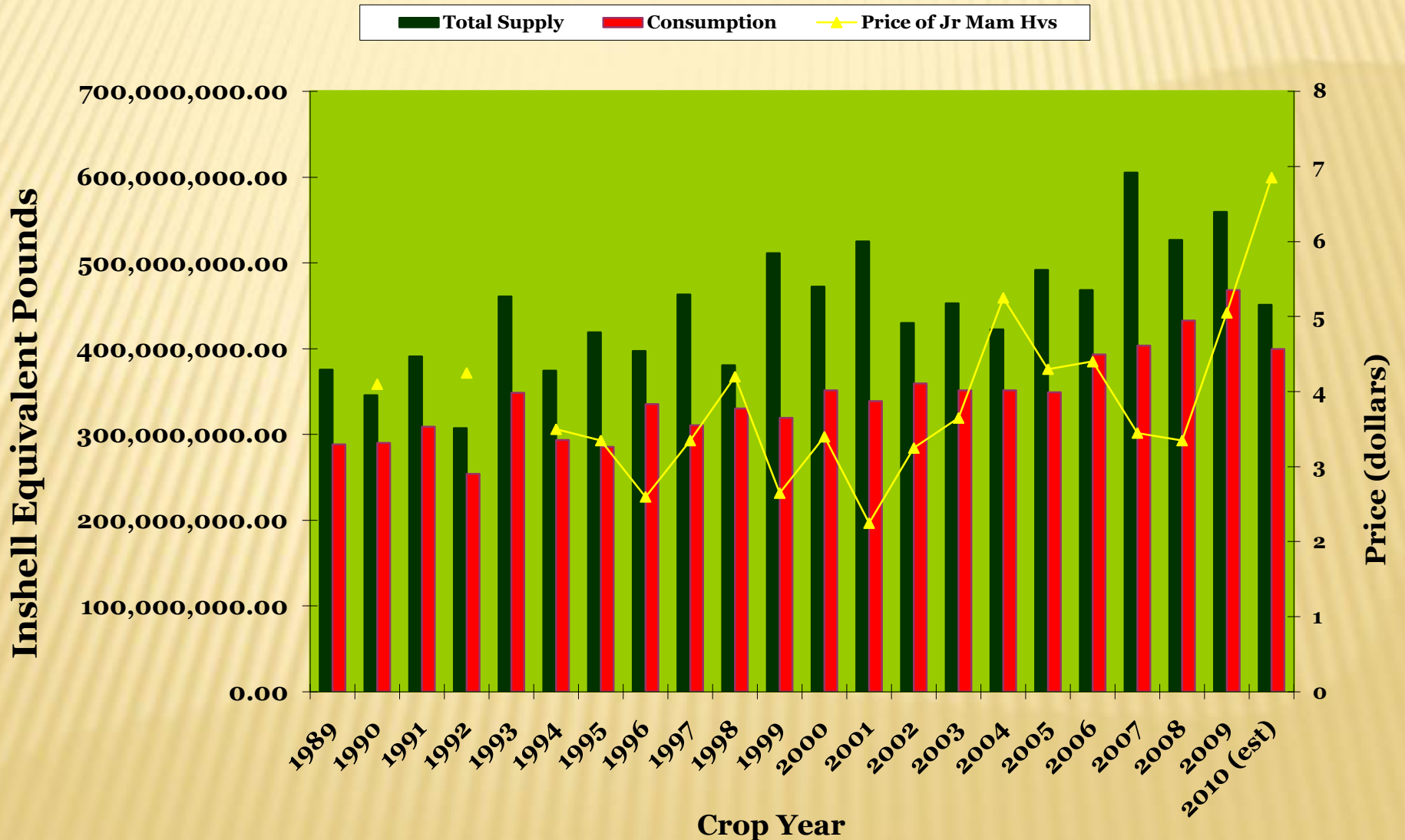
\$300

\$300

LET'S PLAY JEOPARDY!

INTERNATIONAL TRADE	"SHOW ME THE MONEY"	THINGS THAT GO UP
\$200	\$7.00	
\$300	\$300	\$300

TOTAL SUPPLY/CONSUMPTION VS. PRICE



FACTORS THAT IMPACTED PRICING

- ❖ China
 - ❖ Heavy purchases in 2009/2010 led to early shortages
 - ❖ Pressure on market from Chinese speculators
- ❖ Loss of approximately 25% of industry's shelling capacity
- ❖ Late crop
- ❖ No cheap alternatives

LET'S PLAY JEOPARDY!

**INTERNATIONAL
TRADE**

**“SHOW ME THE
MONEY”**

**THINGS THAT
GO UP**

\$200

\$300

\$300

\$300

LET'S PLAY JEOPARDY!

**INTERNATIONAL
TRADE**

**“SHOW ME THE
MONEY”**

**THINGS THAT
GO UP**

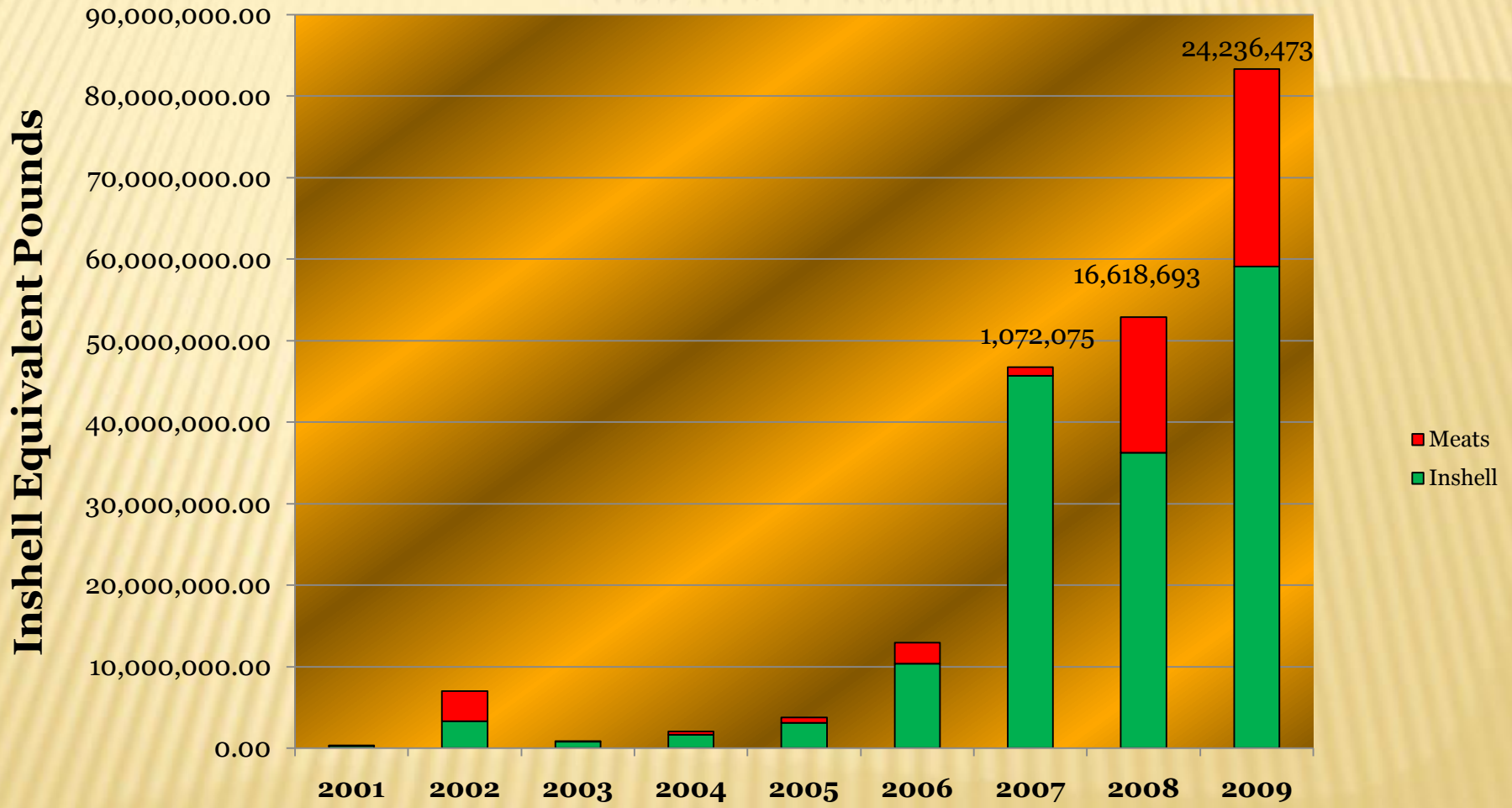
**10,664,048 lbs or
24,236,473 lbs**

\$300

\$300

\$300

MEAT VS. INSHELL EXPORTS TO CHINA (INSHELL BASIS)



Crop Year

Source: Foreign Agriculture Service (FAS). FAS crop year runs from August 1 to July 31

LET'S PLAY JEOPARDY!

**INTERNATIONAL
TRADE**

**“SHOW ME THE
MONEY”**

**THINGS THAT
GO UP**

\$300

\$300

\$300

LET'S PLAY JEOPARDY!

**INTERNATIONAL
TRADE**

**"SHOW ME THE
MONEY"**

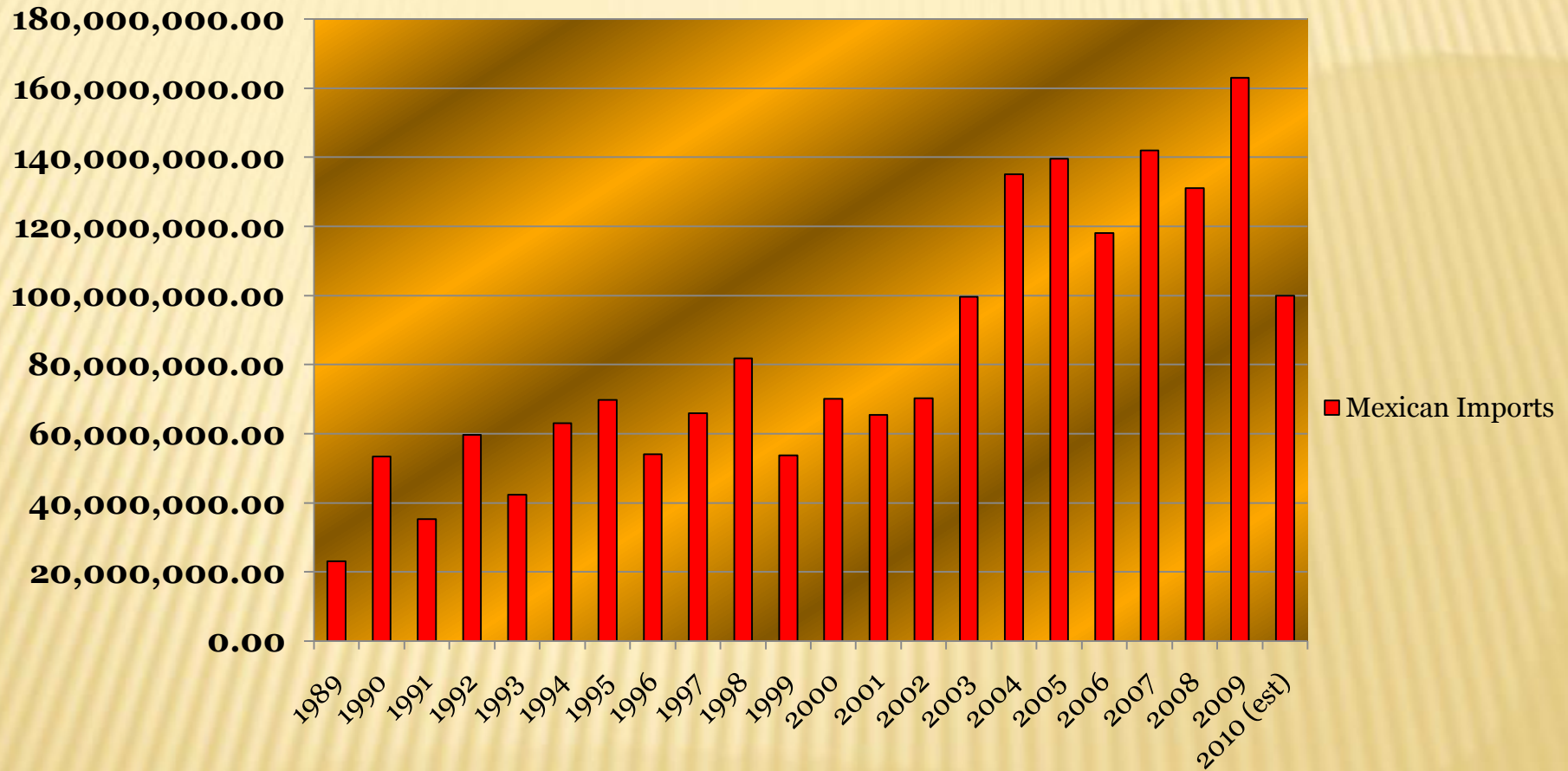
**THINGS THAT
GO UP**

163,067,000

\$300

\$300

MEXICAN IMPORTS



LET'S PLAY JEOPARDY!

**INTERNATIONAL
TRADE**

**“SHOW ME THE
MONEY”**

**THINGS THAT
GO UP**

\$300

\$300

LET'S PLAY JEOPARDY!

INTERNATIONAL TRADE	"SHOW ME THE MONEY"	THINGS THAT GO UP
	'In God We Trust' - All others must pay CASH	\$300

INSHELL PURCHASING

- ❖ Unlike the Almond and Walnut industries, most Pecan Shellers are not Growers
- ❖ Prior to 2002, the bulk of the financing to purchase inshell came from commercial banks
- ❖ After 2001, the banks pulled out of the business of financing the purchase of raw agricultural commodities

INSHELL PURCHASING

- ❖ The Shelling industry had to find other ways to secure enough capital to purchase the inventory
- ❖ Many Shellers worked out financing agreements with various growers
- ❖ Starting in 2007, the Chinese started purchasing inshell directly from the growers and paid cash

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**INTERNATIONAL
TRADE**

**“SHOW ME THE
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**THINGS THAT
GO UP**

\$300

LET'S PLAY JEOPARDY!

INTERNATIONAL TRADE	“SHOW ME THE MONEY”	THINGS THAT GO UP
		Excluding raw material financing, next largest item impacting the bottom line.

FOOD SAFETY & SALMONELLA

- ❖ Global Food Safety Initiative (GFSI)
- ❖ Safe Quality Food (SQF)
 - ❖ Shelling industry is spending millions of dollars to meet SQF requirements mandated by the food industry
- ❖ Grocery Manufacturers Association (GMA)
 - ❖ *'Nut Industry Handbook'*
<http://www.gmaonline.org/science/index.cfm>
- ❖ USDA Food Safety Regulations

FOOD SAFETY & SALMONELLA

- ❖ Unlike Almond, Peanut and Pistachio industry, the Pecan industry has no data on prevalence of Salmonella in the orchards nor has the industry established GAP's or GMP's
- ❖ Industry is in the first of a 4 year Salmonella prevalence study.
- ❖ Upon completion, industry must establish GAP's & GMP's

FINAL JEOPARDY
CATEGORY FOR
TODAY

'SUPPLY-SIDE' ECONOMICS

68 MILLION
POUNDS

STATISTICS

❖ 2009 Carry-over	91,033,300
❖ 2010 USDA US crop estimate	259,660,000
❖ 2010 Imports from Mexico (est.)	<u>100,000,000</u>
❖ Total Supply (estimate)	450,693,300
❖ Minimal Carryout needed	<u>-50,000,000</u>
❖ Anticipated Available Supply	400,693,300
❖ 2009 Consumption	<u>-468,247,487</u>
❖ Anticipated Shortfall	-67,554,187

QUESTIONS?