

# Some Marketing Alternatives for Pecans

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Many pecan producers sell their pecans for cash at harvest. There are a number of alternatives to this approach which producers may want to consider. Most of these alternatives require some form of group action. The extra effort involved in organizing such group activity may result in a higher per unit price for pecans.

## Forward Contracting

Producers of large volumes of pecans tend to use forward contracting more than do producers with smaller production. A forward contract is a written agreement between a producer and a pecan sheller relating to the delivery and acceptance of pecans at some future date. Forward contracts specify what the producer will deliver. The shellers promise payment for the pecans, either by specifying the price or how the price will be determined.

Shellers usually initiate forward contracts to assure themselves of enough pecans to supply their customers. Producers benefit from forward contracts by having an assured access to a market, the potential for increased operational efficiency, and reduced price risk.

## Direct Marketing

Direct marketing of pecans involves bypassing shellers and other handlers and selling direct to the final consumer. Direct marketing can take several forms such as roadside stands, you-pick-it-off-the-ground operations, farmers markets, mail order, and other direct distribution schemes. Although direct marketing channels can be time consuming to establish and maintain, they can greatly increase grower returns. Research indicates that once these direct marketing

channels are established, growers experience a great deal of repeat business.

## Vertical Integration

To be vertically integrated in the pecan business, a grower would also become a sheller. This could be done either as an individual or as a member of a group. The key is to have enough production to make the shelling facility operationally efficient. The advantages of vertical integration include the potential for profit as both a grower and a sheller, improved quality control, and improved market access. Disadvantages include the capital required to establish the shelling facility, and the additional management required to operate the shelling facility and to market the shelled pecans.

## Cooperatives

Agricultural cooperatives represent a way for pecan growers to organize for the purpose of buying inputs at a lower price, processing the pecans, or marketing the pecans, either shelled or inshell. Cooperatives are voluntary organizations and their regulations are binding only on members. They provide a means for growers to benefit from the advantages of large scale shelling, marketing, or purchasing operations. It is essential to hire a manager capable of running such a large scale operation.

The owners of an agricultural cooperative are also its patrons. Cooperatives are governed by a board of directors elected by the membership. The principle of cooperatives is that each member has one vote. Cooperatives return profits to members based on their participation, and

pay limited returns on the capital invested in the cooperative by members.

### **Marketing Orders**

Unlike cooperatives, marketing orders are binding on all members of an industry once the

marketing order is established. The pecan industry is considering adoption of a marketing order to advertise and promote pecans.