

**TESTIMONY OF****JEB BARROW****Pecan Federal Marketing Order Hearing****Eastern Region – Tifton, Georgia - July 27<sup>th</sup>, 28<sup>th</sup> and 29<sup>th</sup>, 2015**

My name is Jeb Barrow. It is spelled J-E-B B-A-R-R-O-W. In the interest of absolute accuracy—and since I am under oath—I'll add that Jeb is not my given name. Rather Jeb is an acronym for my initials J. E. B. I live on the farm near Matthews, Georgia, which is in east central Georgia not far from Augusta. You golfers will know Augusta. I farm 1,000 acres of improved variety pecans in Jefferson and Burke counties, something over half of which are producing. A copy of my resume is attached.

Under the Small Business Administration definition, my farm is categorized a large grower which means over \$750,000 in gross revenue from pecans.

I have been in this business since 1974, 41 years. For much of that time the industry has been moribund. Production has been static or by some measures declining. Prices have varied widely from season to season, sometimes profitable, sometimes not. Budgeting and financial planning have been just exercises in guesswork. And of course, while prices for pecans have gone up and down from year to year, cost of production has done nothing but increase. Costs of fertilizer, insecticides, fuel, labor, equipment have all risen over the years regardless of the price I receive for my crop. That is the plight of all farmers. Perhaps most concerning, many of our young people have not seen this industry as a viable option and have been going elsewhere, and they have been right to do so.

There has been progress in some areas, most notably things related to growing techniques: varieties, pest control, equipment, things of that nature, but marketing, no. Marketing methods and scope have remained more or less unchanged for 50 years. Aggressive marketing in this industry is placing a sign on the side of a highway. Consequently, until the advent of the China trade, demand had not grown for 50 years. National marketing, generic or otherwise, well, that's a novel concept never tried with pecans.

But things are changing and there is new optimism. It started with the relatively recent eligibility of pecans for the USDA's Market Access Program, funds, as you know, that are used to promote international but not domestic sales. Support from MAP funds combined with more aggressive industry leadership and the pioneering export efforts of some individual handlers, has led to the China trade we have today. The effect has been startling, at least for growers of the large nuts favored by the Chinese. Orchards are being planted, equipment purchased, people are being hired and trained, and this in an industry that has been stagnant since the 1960's. Our sons and daughters are returning to the family business. *What we need to do now is keep it going.*

But there are problems and challenges. For one, we have gotten ourselves into a position where we are very vulnerable to any interruption in the China market. As we all know that could happen any time for any of a number of reasons, political, bureaucratic, or financial---the rising dollar for example. *The way to mitigate the China risk is by growing domestic demand---*exactly what we expect this proposed marketing order to do.

A second challenge, the pecan market is bifurcated. There is strong demand with good prices for large, high quality nuts, the nuts favored by gift packers and Chinese customers, but there is weaker demand with lower prices for smaller nuts,

especially natives. It is true that there has always been bifurcation in the pecan industry with "gift pack quality" nuts bringing more than "commercial" nuts, but the additional demand for large nuts from China has exacerbated the differential. It is argued, correctly, that any nuts sold offshore will reduce the supply of nuts available for domestic use and thereby support domestic prices, but even so, this price bifurcation has become accentuated to a degree that is divisive for the industry. I recently attended the Texas Pecan Growers Association annual conference and the price bifurcation issue was the subject of more than one "vigorous" discussion. This is an issue that can be successfully addressed by the proposed marketing order. Perhaps a little out in left field, but recently in conversation with another grower, he speculated about promoting natives as essentially a separate commodity. Can you imagine a promotional campaign where native pecans were described as what they are, "wild pecans growing naturally in the river bottoms of the American heartland, prized by American Indians for thousands of years, naturally nutritious and packed with antioxidants."? Can you imagine what a good marketer could do with that? I cannot sell \$20 bills for \$10, but I think I could sell that story. Who knows, with the right promotion, maybe native pecans could someday bring more than improved nuts. This is just one idea, and maybe a cockeyed one at that, but pecan price bifurcation is a concern and certainly something that could be reduced in a number of ways with marketing.

Third, we are challenged by the lack of industry-wide grading and packaging standards. Our product varies so much from variety to variety, from grower to grower, from one area of the country to another that uniform standards are a must to ever gain consumer confidence. Everyone knows and trusts beef grades. The top grade, "Prime" will be best and cost the most. Lesser grades will not be quite as good but will cost less. Pecans have to be the same way, but that is far from the

case today. We have all seen pecans in grocery stores labeled "Select" or "Fancy" that were anything but. The marketing order will resolve this.

And there is a fourth challenge. There is now a lack of reliable information. The crop size estimate is not much more than a guess and there is widespread distrust of the inventory reports. This is information I and other growers and handlers need to make rational pricing and investment decisions, and now it simply does not exist. As things now stand the "insiders" in the industry, and by insider I mean the larger growers, the larger accumulators, and the shellers, tend to have better information than the smaller growers thereby disadvantaging small growers. Reliable information will level the field. Again this will be addressed by the marketing order.

These challenges I have described are well known and interrelated, and together engender what I see as the fundamental problem facing the industry. I was formerly in the manufacturing business and from that background know that a manufacturer, a processor, a user of any raw material needs that raw material to have two economic characteristics. One, there needs to be a reliable supply, and two, the price needs to be predictable. It does not matter whether the raw material is pecans or steel, if you cannot get it when you need it, or if the price is so unpredictable that you cannot budget or price *your* product, then that is a problem. Pecans meet neither of these criteria. Every grower knows how threatening it is when pecan prices crater, but a few years ago I saw through the eyes of one of my customers just how existentially disruptive it can be when prices spike, something growers generally view as a good thing. This customer was in the gift pack business. His products had been priced, catalogues mailed, orders taken and then the price of his principle raw material, pecans, increased by half. He had to go back

to his customers and reprice all his products. As you might imagine, this was not popular with his customers. He lost some and irritated others. That kind of situation destroys demand and is not good for anyone, grower or handler. The proposed marketing order does not address this problem of unpredictable supply and price directly as it expressly prohibits any form of volume regulation, but the marketing order will result in better information on the anticipated size of the pecan crop, and will grow domestic demand. I believe those things; better information and growing demand, coupled with increasing supplies from new plantings already in the ground, will lead to improved balance between supply and demand, and that will result in significant price stabilization beneficial to grower and handler.

On another subject, namely who is defined as a grower, under the proposed order, only growers with more than thirty acres of pecans or more than 50,000 pounds of average production per year over the last four years will be allowed to vote on the proposed order. The purpose is to distinguish between commercial growers and others. The problem is how to define commercial grower. I tried to "Google" "commercial grower" or "commercial farmer" and found no consensus as to what the terms mean so any line drawn can and likely will be criticized as arbitrary. What I am going to do is give it my own definition. I am going to define commercial grower as someone who derives all or most of his or her livelihood from growing pecans. By that definition, I see this threshold as reasonable. Any grower that is smaller than the proposed threshold cannot justify the cost inherent in such a small operation and is most probably merely a seller of pecans, likely from older trees that happen to be on his or her property, or a "hobby farmer", or one that does not intend to put all commercial inputs (fertilizer, irrigation, etc.) into

his orchard. I am not aware of a commercial pecan grower in my area smaller than thirty acres or who produces less than 50,000 pounds per year.

I have reviewed the economic analysis summary prepared by Dr. Marco Palma, specifically, the projected 6.3 cents average price increase from promotion versus the average 2.5 cents per in-shell pound assessment cost. I have no idea whether his analysis will prove right or wrong, and, meaning no disrespect to Dr. Palma, it is said that God made economists so weathermen would look good. If anything, I suspect his analysis understates the potential. After all, the incremental increase in demand from China resulted in increased prices well beyond what the Palma analysis would suggest. I strongly believe that promotion is near certain to stabilize and/or increase pecan prices. Advertising works in every other industry. It will work here as well. I am fully aware of the costs that a federal marketing order imposes on my farm, and do not believe those costs unduly burdensome. Further, I believe that the benefits of the federal marketing order to my farm and the industry as a whole will greatly outweigh any costs associated with it.

The American Pecan Board has done an excellent job keeping me informed about its efforts to develop the proposed federal marketing order. Their website, articles in Pecan South and Georgia Pecan Grower, and visits from representatives of the American Pecan Board to our grower meetings have helped. In addition they have conducted numerous meetings with smaller groups of growers and handlers, have been available for one on one conversation, and have solicited input from everyone. Anyone who has wanted a say in this has had ample opportunity. Not only that, a member of our grower organization is also a member of the American Pecan Board.

As a board member of the Georgia Pecan Growers Association I talk with a number of growers in Georgia and elsewhere. Most support the marketing order effort. A few have reservations, mostly concerning inviting the federal government into the pecan industry. I imagine most of us can sympathize with that, but my answer, what I tell them, is that I see the proposed federal marketing order as an exercise in self-government. The pecan industry is undertaking to govern itself under the umbrella of the Agricultural Marketing Agreement Act of 1937. It will be a very limited government with very specific authorities defined by the proposed marketing order. As with all efforts to self-govern, it will involve giving up some measure of individual sovereignty in exchange for what we trust will be a greater good. I think it is a good trade. But maybe the best thing about this particular government is that every five years you get the opportunity to vote it out. Not just vote out the bums running it and replace them with different bums, but do away with it altogether. Sudden death accountability. I find that comforting.

In conclusion, I fully support the proposed federal marketing order for pecans. The pecan industry has historically been characterized by adversarial relationships between the various factions: the western growers in competition with the east, all the growers versus the shellers. For sure, in any one year the pecan business tends to be a zero sum game: what I gain in price my customer loses in cost. That will not change whether we have a marketing order or not, but viewed from a big-picture, macro perspective, we are all, growers and handlers, in the same boat, and, if that boat is taking on water, we all risk drowning. The American Pecan Board has managed to get all the stakeholders to see the industry from that big-picture, all in the same boat perspective. The bickering of the past has been put aside and the industry is now united with growers, accumulators, and

processors in support of this marketing order. I encourage the Secretary to implement the order as proposed by the American Pecan Board.



## Resume

J. E. Barrow, Jr.

Education, BA, Industrial Management, Georgia Institute of Technology.

Owner/Chief Executive Officer, Three Bees Farms, Inc., 1974 through present. Three Bees owns/operates 1000 acres pecan orchards.

Majority owner, Chief Operating Officer, JEBCO, Inc., 1989 -2005. JEBCO is a manufacturer of fabricated sheet metal products. Products include numerous equipment items manufactured for the General Services Administration, the US Postal Service, and the Holland line of gas BBQ grills.

Director, Treasurer, Alliance Petroleum Corporation, 2005-2013. APC is a Canton Ohio oil and gas exploration and production company.

Current Director of the Georgia Pecan Growers Association.