

Effectiveness of state-level pecan promotion program evaluated

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Pecans are the only nut native to the US grown on a commercial scale. Credit: Photo by Leo Lombardini

Pecans are the only nut native to the U.S. grown on a commercial scale. These popular nuts are "alternate" or "biennial bearers", a trait that leads to yearly production and quality fluctuations. The annual instability in crop supply and quality can cause major problems for growers seeking to develop and maintain consistent pecan supplies in response to domestic and foreign market demand. To help growers address challenges related to promoting and marketing their finicky pecan crops, several state-level marketing initiatives have been established during the past two decades.

A recent study commissioned by the Texas Pecan Board evaluated the economic effectiveness of the state-level program in expanding sales of

Texas pecans. A research team from Texas A&M University published the results of their evaluation in a recent issue of the American Society for Horticultural Science's journal *HortScience*. The TPB promotion expenditures were found to have effectively increased the demand for Texas pecans and the quantity of total pecans sold over the 8 years since the program's inception.

The pecan industry is the only U.S. nut industry with no national-level generic promotion program, legislation authorized by Congress to provide grants and funding for promotion of other farm commodities. Pecan growers rely instead on state-level pecan promotion programs such as the Texas Pecan Checkoff Program, administered by the Texas Pecan Board in an attempt to "increase the welfare of Texas pecan growers". Texas pecan promotion programs are financed through an assessment, or "checkoff" on pecan sales from growers to first handlers; growers with 500 pecan trees or more and at least 15 acres are required to pay the assessment. Historically, annual pecan checkoff collections in Texas varied from a low of \$85,500 in 2005 to a high of \$167,600 in 1999. TPB spends the annual checkoff collections on promotional activities in seven different categories.

The research study focused on three areas: determining the effects of the Texas Pecan Promotion Program on sales of Texas pecans, assessing the level of effectiveness related to pecan variety (native versus improved varieties), and establishing the return on investment realized by Texas pecan growers from the promotion of sales of Texas pecans.

According to Marco Palma from the Department of Agricultural Economics at Texas A&M University, the Texas Pecan Promotion Program effectively increased Texas sales of improved pecan varieties. "The critical question", Palma noted, "is whether the cost of achieving the increase has been less than the revenues generated by the increased sales—in other words, whether the promotion program can be judged to

be 'effective' depends not only on whether sales have been enhanced by the program, but whether and how much return on their investment contributors to the program have received." The evaluation showed that TPB pecan promotion programs generated a net revenue to the industry of \$35 for every pecan checkoff dollar spent on promotion or \$30.5 on a discounted, present-value basis.

The researchers established that the promotional expenditures of the Texas Pecan Board funded by the Texas Pecan Checkoff Program were effective in augmenting Texas pecan sales. Specific findings of the study showed that TPB promotion expenditures effectively increased the demand for Texas pecans and the quantity of total pecans sold over the 8-year period (1999-2007), and sales of improved varieties of pecans were the main beneficiary of the promotion program.

The report suggested that state-level pecan promotion programs are greatly underfunded and observed that "allocating state-level pecan checkoff funds away from promotion of sales for home consumption to the promotion of industrial uses might reduce overall returns from pecan promotion."

More information: The complete study and abstract are available on the ASHS HortScience electronic journal web site:

hortsci.ashspublications.org/content/44/7/1914

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