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Fruit and Tree Nuts Outlook

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Forecast Is For Below-Average 2008 U.S. Apple and Pear Crops, Grape and Cranberry Production Is Up

The next release is Nov. 25, 2008.

Approved by the World Agricultural Outlook Board

Light carryover supplies from the previous season, lower shipments through the summer, and strong export demand are holding the market strong for U.S. apples and pears. USDA's National Agricultural Statistics Service (NASS) forecast 2008 U.S. apple production to total 9.17 billion pounds, up nearly 1 percent from a year ago but below average levels of the previous 3 years. The 2008 U.S. pear crop is forecast at 1.64 billion pounds, down 6 percent and the smallest since 1996. Apple production in Washington, the leading apple State, is forecast up 4 percent but also below average. Production declines are forecast in other key apple States, including New York, Michigan, Pennsylvania, and California. Pear production is forecast down in two of three major producing States, Washington and Oregon. The Bartlett pear crop is forecast down 4 percent and the "other pear variety crop," mostly for fresh use, is forecast down 8 percent.

NASS forecast the 2008 U.S. grape crop at 7.2 million tons, 3 percent above the previous year. Despite a mid-April frost, California's 2008 grape crop is forecast 3 percent larger than a year ago at 6.4 million tons. California's production of wine- and raisin-grapes is forecast to each increase 3 percent and table grapes up 1 percent. Many of California's table grape varieties were behind on crop maturity and shipments through mid-September down from last year. U.S. grape prices have been holding up strong and exports curtailed.

NASS forecast the 2008 U.S. cranberry crop at 689 million pounds, up 5 percent from 2007 and only fractionally below the record-large crop harvested in 2006. If realized, this year's crop will be the second-largest on record. Boosting overall production in 2008 are expected large crops in Wisconsin and Massachusetts, the country's top two cranberry-producing States. Production declines are forecast for the other producing States—New Jersey, Oregon, and Washington.

NASS released its first forecast for the new season California navel crop on September 12. According to the 2008/09 California Navel Orange Objective Measurement Survey, the initial forecast is 1.2 million tons, down 34 percent from the revised crop of 1.82 million tons last season. If realized, this would be the smallest crop since the freeze-reduced crop in 2001/02 which would likely drive grower prices higher than the past few seasons.

Price Outlook

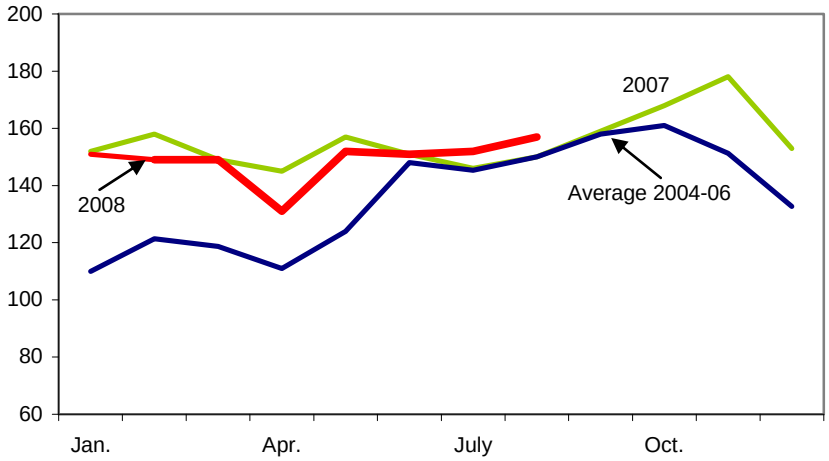
Fruit Grower Prices Up in July and August

The index of prices received by fruit and tree nut growers rose almost 1 percent between June and July 2008, and 3 percent between July and August (fig. 1). In August, at 157 (1990-92=100), the index was at its highest since November 2007.

Grower prices were up between June and July for fresh apples, pears, and strawberries, but fell for all oranges and lemons, grapes, and peaches. Grower prices continued to climb in August for fresh apples, strawberries, and oranges, but fell for fresh lemons and pears (table 1). The small 2007/08 apple crop left stocks low at the end of the season, pushing up their prices. Apple prices rose between July and August partially due to the tight stocks from last season, but also due to the forecast for another small crop this season. As a result, apple prices rose 20 percent between July and August. The small crop this season is also responsible for driving this July's average price 45.8 percent above last July and this August's average price 55 percent above last August. Apple grower prices are likely to remain high throughout the 2008/09 season as a result of the small 2008/09 crop.

The 2008/09 lemon season typically gets underway in August. With the anticipation of the harvest of the new crop and record high imports, the average price growers received for lemons fell in July and August. Although the prices are down from the season's peak of $48.04 per 76-lb box in October 2007, they still remained among the highest monthly lemon prices on record.

Figure 1
Index of prices received by growers for fruit and tree nuts
1990-92=100



Source: USDA, National Agricultural Statistics Service, *Agricultural Prices.*

Table 1--Monthly fruit prices received by growers, United States

Commodity	2007 July	2007 August	2008 July	2008 August	2007-08 Change July	2007-08 Change August
	Dollars per box				*Percent*	
Citrus fruit: 1/						
Grapefruit, all	8.95	7.53	5.83	4.58	-34.9	-39.2
Grapefruit, fresh	11.14	10.54	7.20	6.70	-35.4	-36.4
Lemons, all	13.64	31.67	24.17	24.64	77.2	-22.2
Lemons, fresh	40.91	43.40	43.00	35.58	5.1	-18.0
Oranges, all	8.95	8.81	5.59	4.70	-37.5	-46.7
Oranges, fresh	16.83	14.63	6.92	7.72	-58.9	-47.2
	Dollars per pound					
Noncitrus fruit:						
Apples, fresh 2/	0.31	0.34	0.45	0.53	45.8	55.2
Grapes, fresh 2/	0.33	0.34	0.47	0.41	40.9	20.6
Peaches, fresh 2/	0.29	0.30	0.26	0.26	-11.9	-12.3
Pears, fresh 2/	0.29	0.19	0.36	0.29	21.6	57.2
Strawberries, fresh	0.53	0.79	0.66	0.91	24.3	14.8

1/ Equivalent on-tree price.
2/ Equivalent packinghouse-door returns for CA, NY (apples only), OR (pears only), and WA (apples, peaches, and pears). Prices as sold for other States.
Source: USDA, National Agricultural Statistics Service, *Agricultural Prices*.

Consumer Prices for Fresh Fruit Continue on Upward Path

The Consumer Price Index (CPI) for fresh fruit has remained above the previous 4 years every month in 2008. Despite a 2-percent decline in June to 346.0 (1982-84=100), followed by a 1 percent decline to 343.5 in July the CPI rose to 350.3 in August, the second highest index number this year (fig.2).

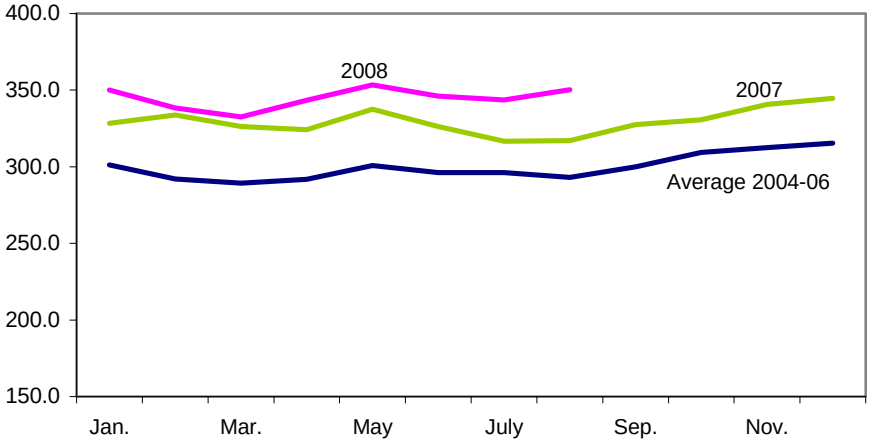
Consumers paid more at retail for fresh oranges and lemons in August after paying slightly less for these two commodities in July (table 2). The shift from the predominantly navel orange market to Valencia oranges helped reduce the overall orange price to consumers in July. However, by August, prices rose for Valencia oranges as well as for navels which are imported during the summer months. Consumers also paid more apples and strawberries, both have strong presence in markets during August. Reduced supplies of both these fruit this August drove up their prices at grocery store and other retail markets. At the same time, prices were lower for fresh grapes, and peaches in August over July, moderating the increase in the CPI.

In general, consumers have paid higher prices this July and August for all the major fresh fruit compared with the same 2 months last year, except for oranges. Tighter supplies of just about all these major fruit have driven prices up. The smaller banana crops this year in the major producing countries from which the United States sources its bananas, along with smaller California lemon and peach crops, have all been factors contributing to higher retail prices this summer over last summer. While California's table grape crop is reported to be bigger this year, reduced shipments during the summer months have affected availability and contributed to higher prices in July and August over last year.

Figure 2

Consumer price index for fresh fruit

1982-84=100



Source: U.S. Dept. of Labor, Bureau of Labor Statistics, (http://www.bls.gov/data/home.htm).

Table 2--U.S. monthly retail prices, selected fruit, 2007-08

		2007		2008		2007-08 Change	
Commodity	Unit	July	August	July	August	July	August
		--- *Dollars* ---		--- *Dollars* ---		--- *Percent* ---	
Fresh:							
Valencia oranges	Lb.	1.078	1.108	0.974	1.021	--	--
Navel oranges	Lb.	--	1.500	1.291	1.452	--	-3.2
Grapefruit	Lb.	0.979	0.992	1.051	1.076	7.4	8.5
Lemons	Lb.	1.765	1.796	2.143	2.184	21.4	21.6
Red Delicious apples	Lb.	1.184	1.194	1.452	1.580	22.6	32.3
Bananas	Lb.	0.509	0.506	0.627	0.634	23.2	25.3
Peaches	Lb.	1.450	1.303	1.506	1.476	--	13.3
Anjou pears	Lb.	--	--	1.384	--	--	--
Strawberries 1/	12-oz. pint	1.667	1.830	1.880	2.085	12.8	13.9
Thompson seedless grapes	Lb.	1.778	1.701	1.875	1.800	5.5	5.8
Processed:							
Orange juice, concentrate 2/	16-fl. oz.	2.538	2.568	2.503	2.522	-1.4	-1.8
Wine	liter	7.179	9.528	8.551	10.817	19.1	13.5

-- Insufficient marketing to establish price.
1/ Dry pint.
2/ Data converted from 12 fluid ounce containers.
Source: U.S. Dept. of Labor, Bureau of Labor Statistics (http://www.bls.gov/data/home.htm).

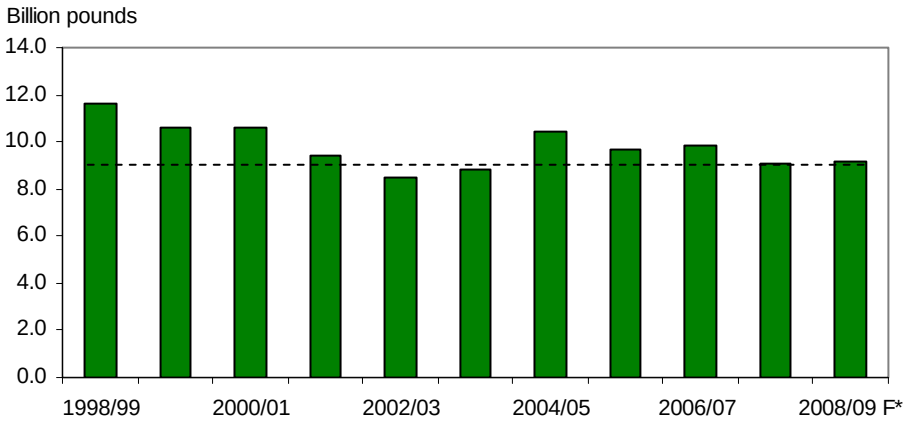
Market Strong for 2008 U.S. Apples

The USDA National Agricultural Statistics Service (NASS) initial forecast for the 2008 U.S. apple crop is 9.17 billion pounds, up nearly 1 percent from a year ago but smaller than most crops over the past decade (fig.1). If realized, this year's forecast crop size will be the fourth-smallest since 1990 and 8 percent smaller than the average crop during 2004-06. Orchards across the country were affected by spring freezes and summer hailstorms but, in Washington and in many small apple-producing States, 2008 production levels are expected up from last year when the total crop was the third smallest in nearly two decades (table 3). Nearly offsetting these increases are forecast production declines in other key apple States such as New York, Michigan, Pennsylvania, and California. Hail damage to the crop in New York this summer, freeze and hail damage in Michigan, insect and disease problems in Pennsylvania, and frost damage in addition to declining bearing acreage in California contributed to reduced production in these States.

Production in Washington, which makes up 59 percent of the U.S. crop, is forecast at 5.4 billion pounds, up 4 percent from 2007 but 7 percent below average production in 2004-06. This year's production did not reach its fullest potential because of crop damage from a mid-April frost. The frost also delayed crop maturity and reduced sizing of predominantly produced varieties, particularly the Red Delicious and Gala apples. Nonetheless, because later-maturing varieties were able to escape frost damage, production was not expected to drop down to last year's crop of 5.2 billion pounds.

Regionally, production in the western United States is going to be up 4 percent from a year ago, just barely making up for production declines in the eastern (down 4 percent) and central regions (down 8 percent). The western region will account for

Figure 3
U.S. apple production is among the lowest in the past 10 years



* Forecast.
Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruit and Nuts Summary,* various issues.

Table 3--Apples: Total production and season-average price received by growers, 2005-07, and indicated 2008 production 1/

States	Production				Price		
	2005	2006	2007	2008	2005	2006	2007
	--------- *Million pounds* ----------				---- *Cents per pound* ----		
Eastern States:							
Connecticut	16	18	23	20	46.2	53.4	48.9
Georgia	14	13	2	12	23.6	20.2	50.0
Maine	31	24	40	37	34.1	41.9	40.9
Maryland	41	34	33	26	14.4	20.1	18.2
Massachusetts	29	32	39	38	44.8	49.4	43.7
New Hampshire	21	29	35	36	31.0	35.2	35.6
New Jersey	45	45	42	40	31.3	41.0	22.9
New York	1,045	1,260	1,310	1,150	16.2	20.1	22.0
North Carolina	130	173	60	165	11.7	14.4	9.8
Pennsylvania	500	470	470	400	10.0	12.8	14.2
Rhode Island	2	2	3	2	52.4	54.2	56.1
South Carolina	4	3	0	8	17.2	15.6	47.3
Vermont	33	36	38	41	30.4	31.6	33.2
Virginia	250	220	215	230	9.6	9.8	12.7
West Virginia	87	90	80	88	8.4	9.2	9.6
Total	2,247	2,448	2,389	2,292			
Central States:							
Arkansas	2/	2/	2/	2/	2/	2/	2/
Illinois	49	53	5	52	37.2	34.8	75.6
Indiana	50	55	33	42	29.4	29.9	32.3
Iowa	2	7	3	5	45.3	50.4	64.2
Kansas	2/	2/	2/	2/	2/	2/	2/
Kentucky	6	7	1	9	34.6	37.7	51.8
Michigan	760	880	770	540	12.6	14.7	16.8
Minnesota	22	23	26	23	53.5	54.3	63.7
Missouri	49	53	3	54	16.5	21.5	20.8
Ohio	99	102	56	95	28.6	34.6	43.5
Tennessee	9	10	0	9	26.8	27.3	40.0
Wisconsin	52	65	59	55	39.7	42.4	46.9
Total	1,097	1,254	955	884			
Western States:							
Arizona	22	30	23	20	24.0	18.1	21.9
California	355	355	345	320	21.0	24.0	26.3
Colorado	31	15	13	15	17.9	27.0	21.5
Idaho	70	60	35	55	17.9	19.3	25.2
New Mexico	2/	2/	2/	2/	2/	2/	2/
Oregon	145	150	135	170	15.7	19.8	28.1
Utah	38	10	19	9	15.9	36.8	32.9
Washington	5,700	5,550	5,200	5,400	18.1	25.4	33.6
Total	6,361	6,170	5,770	5,989			
United States	9,705	9,872	9,114	9,165	17.4	22.9	28.4

1/ Commercial production from orchards of at least 100 bearing-age trees.

2/ Estimates discontinued in 2005.

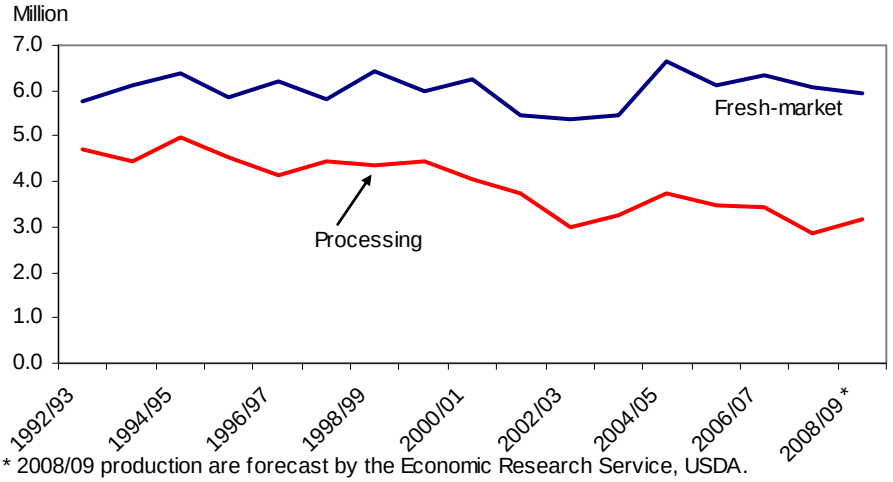
Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruit and Nuts 2007 Summary* and *Crop Production* (August 2008 issue).

65 percent of this year's U.S. apple crop while eastern and central apple-producing States will account for 25 percent and 10 percent, respectively.

The market for U.S. apples remains strong early into the 2008/09 marketing season (August-July) as demand continue strong and current supply conditions remain tight. Fresh-market apple grower prices in August set record-levels, averaging 53.4 cents per pound—the highest ever for the month and almost 9 cents higher than in July. At the retail level, using the consumer price index (CPI) for apples as indicator, apple prices were also strong. The CPI for apples in August, at 387.0 (1982-84=100), was 19 percentage point higher than the August 2007 index and was at an all-time high. The main factors behind the tight market include: lower imports through much of the second half of 2007/08, almost sold out supplies from the 2007 harvest, delayed crop maturity in many apple-producing States due to a generally cool spring, and curtailed production in some of the key apple States. NASS data show apple supplies in cold storage on July 31 were down 18 percent from the same time last year. The July storage figures also were down 49 percent from the previous month, indicating very strong demand. Through mid-September, 2008/09 fresh apple shipments were running 8 percent lower than the same time the previous season.

Fresh-market shipments will continue to build up seasonally through the fall, but based on a 3-year average share of U.S. apple production, the Economic Research Service (ERS) projects domestic fresh-market apple production for the 2008/09 marketing season to be down 3 percent from the 6.09 billion pounds NASS estimate for 2007/08 (fig. 4). This growth rate is consistent with projections provided by the U.S. Apple Association. If this projection holds true, the 2008 fresh-market apple crop will be 6-percent below the average of the four previous years, setting the stage for continued strong prices for fresh-market apples in 2008/09, especially as domestic production of competing pears are also forecast to be lower this year.

Figure 4
U.S. apple production for fresh-market and processing



* 2008/09 production are forecast by the Economic Research Service, USDA.
Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruit and Nuts Summary,* various issues.

ERS projects that, with the smaller fresh-market crop, domestic per capita consumption of fresh apples will decline in 2008/09 by about 3 percent from the 2007/08 estimate of 16.4 pounds per person, marking 2 years in a row of declining consumption. At the current projected production, imports would need to increase substantially (by about 44 percent) to at least match the overall fresh-market supplies last season. Since the 1980s, the most that imports have grown each season ranged from 30 to 34 percent and during 2007/08, imports even fell 13 percent despite lower domestic production. About half of total import volume for fresh apples in the United States comes from Chile. While apple production and exports in Chile were estimated slightly higher for the 2008 marketing year (January-December), according to USDA's Foreign Agricultural Service, import volume of Chilean apples in the United States in 2007/08 was down 24 percent from the previous season (FAS GAIN report C18010). Except for Canada, imports were also down from other leading suppliers such as New Zealand and Argentina. The continued weak value of the U.S. dollar may have been a contributing factor to the decline in 2007/08 imports but also frost and less than ideal late-spring temperatures led to some quality issues for the Chilean crop. Projected lower domestic fresh-market production point to likely strong import demand in the United States in 2008/09 however, Chile's export potential may be tempered by the recent drought conditions that have affected almost all of the country's agricultural production regions. Initial estimates of apple production and exports in Chile for marketing year 2009 indicate relatively unchanged levels from the prior year.

Reduced world apple supplies helped strengthen international demand for U.S. fresh apples during the past season. Despite the smaller U.S. crop last year, U.S. apple exports in 2007/08 were up 6 from the previous season, totaling 1.49 billion pounds and valued at $706.7 million. With the small apple crop in China last year, U.S. exports posted big increases to Taiwan and Hong Kong. Exports were also up to Mexico and Canada, the top U.S. export markets. Increased demand in Mexico and Taiwan were partly influenced by lower production in both these countries. Exports were very strong to Russia, an emerging market for U.S. apples. Russia's share of total U.S. exports rose to 3 percent in 2007/08, up from 1 percent the previous season. Prospects for another strong export season for U.S. apples in 2008/09 may likely be diminished by another small crop this year and recovering production in China.

ERS projects apple processing supplies in the United States will be up about 6 percent in 2008/09 from the previous season. This would put production for the processing sector at 3.2 billion pounds, in line with average production of recent years. The projected increase in processing production will likely put downward pressure on the overall grower price average for processing apples in 2008/09 but average grower price movements for production across different processed apple products are likely to vary. Indications from the U.S. Apple Association suggest that the volume of raw apple product to be utilized for processing into canned, frozen, and fresh sliced apple products from this year's crop will each be up significantly, while raw product volume for juice processing, the biggest processed product category for apples, will be relatively unchanged. Raw product to be used for making dried apple products will be down slightly and unchanged for other processed apple products.

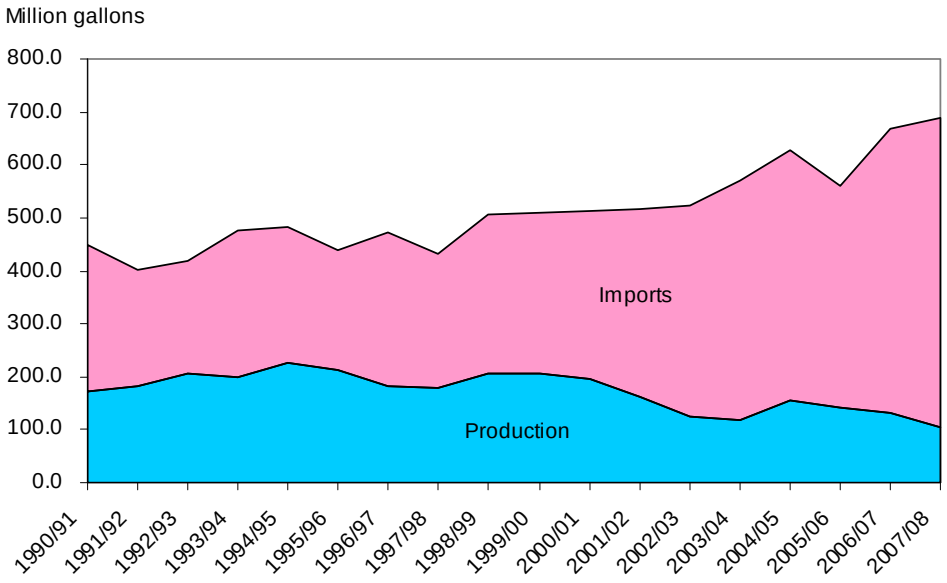
In 2007/08, the U.S. season-average grower price for all apples for processing set a record-high at $189.00 per ton. Average grower prices in 2007/08 rose

substantially from the previous season in each of the major product categories for which apples were utilized, except for fresh sliced apples where the season-average declined from a record $284.0 per ton in 2006/07 to $260 per ton. Raw apple product volume declined across all processed product sectors in 2007/08, except for the fresh sliced apple sector which experienced a 13-percent boost.

Apple production destined for juice processors averages between 40 to 50 percent of all the apples produced for the processing sector. Unlike most other apple products, including those for fresh use, imports provide a dominant role in meeting apple juice demand in the United States. U.S. apple juice imports have been trending upward over the past decade, increasing its share of the U.S. apple juice market (fig. 5). U.S. apple juice imports' share of domestic consumption rose from an average of 60 percent in the 1990s to over 80 percent, hitting a record high in 2007/08. Most of the growth in 2007/08 imports were from China, increasing 38 percent from the previous season and accounted for 79 percent of total volume. Among other leading suppliers to the United States, imports also rose from Brazil but were down sharply from Argentina and Chile.

Export demand for U.S. apple juice rebounded somewhat in 2007/08 from recent years. From August 2007 through July 2008, exports were up 19 percent from the same time the previous season, with a sharp increase in the volume to Canada, the number one international market for U.S. apple juice. Although exports declined to Mexico and Japan, also significant markets for the United States, strong shipments were made to other important markets in East Asia such as South Korea and Hong Kong and to the Caribbean. Early indications of a much smaller apple crop in Canada likely will lead to increased export demand for U.S. apple juice in 2008/09.

Figure 5
Imports increasing and rapidly gaining share of U.S. apple juice market



Source: U.S. Department of Commerce, U.S. Census Bureau, trade data; USDA, National Agricultural Statistics Service, Noncitrus Fruits and Nuts, various issues.

2008 U.S. Pear Crop Smaller

NASS forecast the 2008 U.S. pear crop at 1.64 billion pounds, down 6 percent from last year and the smallest crop since 1996 (table 4). Washington, California, and Oregon will account for 98 percent of the U.S. crop. Production is forecast to be down in Washington and Oregon while remaining even in California. Cool temperatures during pollination and frost damage had forced combined Bartlett production in the three States to decline 4 percent to 816 million pounds. At the same time, the three-State forecast for other pear varieties is at 788 million pounds, down 8 percent.

For minor producing States, combined production of other pear varieties is forecast down 10 percent from a year ago, at 39.5 million pounds. Together with the forecast decline in the 3 major States, this decline puts overall production of other pears varieties (or the non-Bartlett crop) for this year at 828.0 million pounds, down 8 percent from a year ago. Almost 75 percent of the "other pear variety" crop moves through the fresh market each year. Out of the six minor producing States, production declines are expected in New York, Michigan, Pennsylvania, Connecticut, and Colorado. With production averaging less than 1 million pounds annually, the crop in Utah is the only one reporting a gain in 2008, increasing 20 percent from a year ago. The New York pear crop experienced hail and frost damage while in Michigan, crop conditions were mixed. Some Michigan pear growers experienced crop failures due to multiple spring freezes while other growers reported good progress in their crops.

This year's smaller U.S. pear crop and projections of tight fresh-market supplies of competing U.S. apples will likely boost fresh-market prices for pears in 2008/09 (July-June). Carryover stocks in cold storage from last year's harvest, mostly of non-Bartlett pears, were 47-percent lower at the beginning of this season in July than in July 2007. Based on AMS data, 2008/09 shipments of fresh pears through the end of August were 21-percent below the same time last year, holding prices strong. Shipments were mostly California pears, with light volumes from Washington beginning around mid-August. Even though grower prices for fresh-market pears have already declined significantly from earlier in the season with increased supplies, the average price in August, at 29.4 cents per pound, was about 11.0 cents per pound more than in August 2007 and the highest so far for any August in the past 20 years. Washington and Oregon produce most of the U.S. fresh-market pears. As of late September, harvesting in both these production regions were already well underway.

The domestic fresh-market pear crop rose 10 percent from the previous year in 2007/08, reaching 1.1 million pounds and higher than the 3 previous seasons. Despite this increase, strong export demand (for U.S. pears) and high apple prices helped boost 2007/08 grower prices for fresh-market pears, increasing the average to a record 26.7 cents per pound ($534 per ton). Partly as a result of increased output, U.S. fresh pear imports in 2007/08 declined 20 percent from a record-high the previous season. At 189.2 million pounds, however, 2007/08 imports were higher than other recent years. Overall fresh-market supplies in 2007/08 were still 4-percent higher even though imports were down for the season, but strong exports drove supplies for domestic fresh use down slightly from the previous season. As a result, the estimate for U.S. per capita consumption of fresh pears declined 3

Table 4--Pears: Total production and season-average price received by growers, 2005-07 and indicated 2008 production

State	Production 1/				Price		
	2005	2006	2007	2008	2005	2006	2007
	--- *Million pounds* ---				--- *Cents per pound* ---		
Pacific Coast:							
California:							
Bartlett	332	398	402	400	14.9	11.9	14.5
Other	72	80	84	88	42.3	29.5	29.3
Total	404	478	486	488	19.8	14.9	17.0
Oregon:							
Bartlett	116	126	118	116	17.4	19.2	18.8
Other	268	304	294	290	16.5	21.6	22.9
Total	384	430	412	406	16.7	20.9	21.7
Washington:							
Bartlett	334	330	326	300	17.1	17.3	18.7
Other	492	392	478	410	17.3	26.1	24.6
Total	826	722	804	710	17.2	22.1	22.2
Three States:							
Bartlett	782	854	846	816	16.2	15.1	16.7
Other	832	776	856	788	19.2	24.7	24.5
Total	1,614	1,630	1,702	1,604			
Colorado	5	5	3	3	22.8	27.2	48.8
Connecticut	2	2	2	2	47.6	55.0	65.0
Michigan	4	7	8	8	21.2	16.0	22.5
New York	17	32	22	19	25.0	21.5	24.9
Pennsylvania	4	8	8	7	29.9	35.6	35.9
Utah	0.4	0.5	0.5	0.6	32.3	31.8	38.0
Total	33	54	44	40			
United States							
Bartlett	782	854	846	816	16.2	15.1	16.7
Other	865	830	900	828	19.2	24.7	24.5
Total	1,647	1,684	1,746	1,644	17.9	19.9	20.8

1/ Includes unharvested production and production not sold.
Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruit and Nuts 2007 Summary* and *Crop Production* (August 2008 issue).

percent to 3.1 pounds in 2007/08. For the current season, lower domestic production and continued strong international demand likely will hinder any increase in domestic per capita consumption.

The volume of U.S. fresh pear imports in 2007/08 declined from most of the country's major foreign suppliers, including Argentina, Chile, China, and New Zealand. Imports from South Korea, on the other hand, rose 20 percent. Aside from higher prices in the United States, severe frost damage reduced marketable production in Argentina and New Zealand during 2007/08, limiting both countries' export volumes last season. China and Chile's production were both up in 2007/08. However, both their export shares to the United States declined last season, as key markets in South East Asia (for China), South America (for Chile), and the European Union (for both) received most of the export gains. Forecast reduced production in the United States in 2008 likely will result in increased U.S. fresh pear imports this season. As Argentina's pear crop is forecast to improve so will their exports. Argentina is the leading source of imported fresh pears in the United States, supplying nearly half of total import volume.

U.S. fresh pear exports totaled 356.6 million pounds in 2007/08, up 27 percent from the previous season. U.S. export shipments were up significantly to all major

markets—Mexico, Canada, Brazil, Russia, and Colombia—which together made up 82 percent of total export volume. Exports to Mexico, alone, rose 27 percent and made up 42 percent of total volume. With the country's limited production, pear demand in Mexico remains heavily reliant on imports, primarily from the United States, because the high cost of production continues to discourage Mexican growers from investing a great deal on expanding production. Demand for U.S. pears continues to show strength moving into the 2008/09 season. Export volume in July was up 25 percent, reflecting big increases in shipments to most leading markets. While reduced world supplies in 2008/09 will continue to boost international demand for pears, a smaller-than-average domestic crop will likely limit overall export prospects for U.S. pears this season.

With the forecast smaller Bartlett pear crop in the United States this year, production of pears for use by the processing sector will likely be down in 2008/09. Processed production declined in 2007/08, along with imports, driving up grower prices for processing pears to a high since 1996 and pushing domestic canned pear consumption down slightly from the previous season to 2.3 pounds per person. The United States is a net importer of canned pears and over the last few years, export volume relative to imports has shrunk. With reduced domestic production again this year, the declining trend in consumption will likely continue for a second consecutive year.

U.S. canned pear imports totaled 73.7 million pounds, product-weight equivalent, in 2007/08, down 5 percent from the record set in 2006/07 but still above average of previous years. The decline may be attributed mostly to lower imports from China which accounted for over 70 percent of total import volume. Imports from Thailand, also a major supplier, rose sharply. Besides the wide difference in volumes shipped to the United States between these two major suppliers, the increase in imports from Thailand could not compensate for the moderately reduced volume from China because there were also significant declines from smaller suppliers like the Republic of South Africa, Spain, and France.

Sharply lower exports to Thailand dampened the overall export situation for U.S. canned pears in 2007/08. While exports were up substantially to neighboring markets, Canada and Mexico, volume shipped to Thailand fell 87 percent. The United States is falling behind China in Thailand's market for imported canned pears. China's exports to Thailand rose sharply again in 2007/08, this time gaining an overwhelming share (81 percent) of the country's total import volume. With yet another year of lower domestic production, overall export prospects for U.S. canned pears will likely be diminished in 2008/09.

2008 U.S. Grape Production Up Slightly

The NASS initial forecast for the 2008 U.S. grape crop is pegged at 14.4 billion pounds, 3 percent above the previous crop (table 5). Driving overall production up is the forecast bigger crops in 9 out of the 14 States for which NASS' surveys annual production, including California, the dominant producer. Smaller crops are forecast for other key States like New York and Michigan while a relatively similar-sized crop than last year is forecast for Washington, the second-biggest producer.

Despite encountering frost damage in mid-April, California's 2008 grape crop is forecast 3 percent larger than a year ago at 12.8 billion pounds. Crop increases are expected across the three major grape-type varieties produced in California. Production totals for wine- and raisin-grape varieties are each forecast to increase 3 percent and table varieties up 1 percent. Based on current forecasts, wine varieties will account for 53 percent of California's production, for a total of 6.8 billion pounds. Production of table and raisin varieties will total 1.6 and 4.4 billion pounds, respectively. Overall bunch counts for wine grapes were down slightly from a year ago however, some varieties reported improvements. A long cold spring slowed the progress of the wine grape crop, delaying maturity by about 6 to 10 days. Next to wine grapes, raisin varieties account for the second-largest production volume, with over a one-third share of the total. The raisin-variety crop has progressed well with bunch counts slightly higher than last year. Fruit quality is reported to be excellent for California's 2008 table grape crop but berry size is smaller compared with some past seasons.

Forecast production in Washington for 2008 is set at 750 million pounds, only fractionally less than a year ago. Washington's 2008 wine grape crop is forecast to surpass last year's record, increasing 6 percent to 270 million pounds as more orchards enter the full productive stage. However, this increase will be offset by a 4-percent decline forecast for the juice-type grape crop. Below-average temperatures during the growing season, including a mid-April frost, affected juice-grape variety yields. As for other leading grape-producing States, crop damage

Table 5--Grapes: Total production and season-average price received by growers in principal States, 2005-07 and indicated 2008 production

	Production				Price		
State	2005	2006	2007	2008	2005	2006	2007
	-- *Million pounds* --				-- *Cents per pound* --		
Arizona	2	2	2	2	26.9	41.6	1/
Arkansas	4	5	1	4	27.0	31.1	1/
Georgia	7	6	6	7	69.5	63.5	60.0
Michigan	205	65	200	156	10.5	17.0	14.0
Missouri	8	8	5	11	38.7	34.9	46.6
New York	356	310	360	330	10.8	13.2	13.7
North Carolina	8	9	6	11	46.9	51.5	63.0
Ohio	17	6	15	17	15.6	31.3	19.7
Oregon	54	69	77	74	84.0	87.5	94.0
Pennsylvania	180	164	168	190	10.7	12.6	12.5
Texas	19	14	10	21	62.5	60.0	58.0
Virginia	11	12	11	17	68.0	72.0	70.0
Washington							
Wine	220	240	254	270	46.5	47.1	47.7
Juice	610	392	498	480	6.4	8.3	2/
All	830	632	752	750	17.0	23.0	22.9
Total 3/	1,701	1,302	1,614	1,590			
California:							
Wine	7,612	6,352	6,574	6,800	29.1	29.1	28.2
Table	1,744	1,434	1,582	1,600	22.1	44.9	39.4
Raisin 4/	4,570	3,666	4,266	4,400	13.1	13.9	14.1
All	13,926	11,452	12,422	12,800	23.0	26.2	24.8
United States	15,627	12,754	14,036	14,390	22.4	26.0	24.6

1/ Missing estimates to avoid disclosure of individual operations. 2/ Official estimates of price for 2007 are not published. 3/ Some figures may not add due to rounding. 4/ Fresh weight of raisin-type grapes.
Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruit and Nuts 2007 Summary*

due to frost and hail in New York and spring freezes in Michigan lowered their production potential for this year. In Pennsylvania, on the other hand, above-average bunch counts and berry size are driving production to a record-high, forecast at 190 million pounds, 13 percent above a year ago.

Fresh-market grape supplies lag, 2008/09 grape prices remain strong: Nearly all the U.S. grapes for the fresh market are produced in California. As of late summer, harvesting of California grapes in the San Joaquin Valley, the major producing region, was already well underway. The harvest this past spring in the Coachella Valley, California's southern growing region, ended by early summer, leaving very little overlap in supplies from the two production regions. Many of this year's table grape varieties were behind schedule on crop maturity and based on AMS data, California shipments this season through mid-September were down 12 percent from the same time last year despite the forecast of a slightly bigger crop this year. May-July import volumes were relatively the same as last year, but those from Mexico, which make up the bulk of the imports for the early season, were down 2 percent and were just slightly offset by large increases in late shipments from Chile. With these overall supply constraints, 2008/09 U.S. grape prices have been holding up strong and exports curtailed.

U.S. fresh-market grower prices for grapes have declined seasonally from a high of $0.485 per pound in June, when the harvest in California just got started, to $0.410 per pound in August. From June to August, however, fresh grape grower prices remained significantly higher than a year ago. In August, grower prices averaged 21 percent higher. Published Bureau of Labor Statistics retail prices for Thompson seedless grapes show a decline from $2.53 per pound in May to $1.80 in August but like in the grower prices, they remain higher than a year ago. In July and August, average retail prices were 5 percent higher than in July and August 2007.

U.S. fresh grape exports for this season through July fell 13 percent in volume from the same time last year, totaling 65.0 million pounds. Forty-five percent of total exports went to Canada but the volume was down 14 percent. The next largest volumes went to Australia, Singapore, and Indonesia and all these markets received larger shipments from the United States. However, shipments to other key U.S. international markets—Mexico, Hong Kong, and Malaysia—were also significantly lower, driving down total export volume down.

Supply of U.S. grapes for winemakers up in 2008/09: With forecast higher wine grape production in California and Washington than a year ago, total grapes crushed for wine in the United States are expected to increase in 2008/09, likely putting downward pressure on the overall prices growers will receive for the grapes sold to wineries. Approximately 93 percent of all the U.S. grapes used for making wine are from California and another 2-3 percent from Washington. Production shares are very small for the other States but, similar to both major wine grape producers, wine is an important value-added product for the grape crops in these smaller-producing States. In Oregon and Virginia, for example, the entire grape crop is utilized for wine production. In New York, Pennsylvania, Texas, and Michigan, grapes utilized for wine make up a significant share of the annual crop.

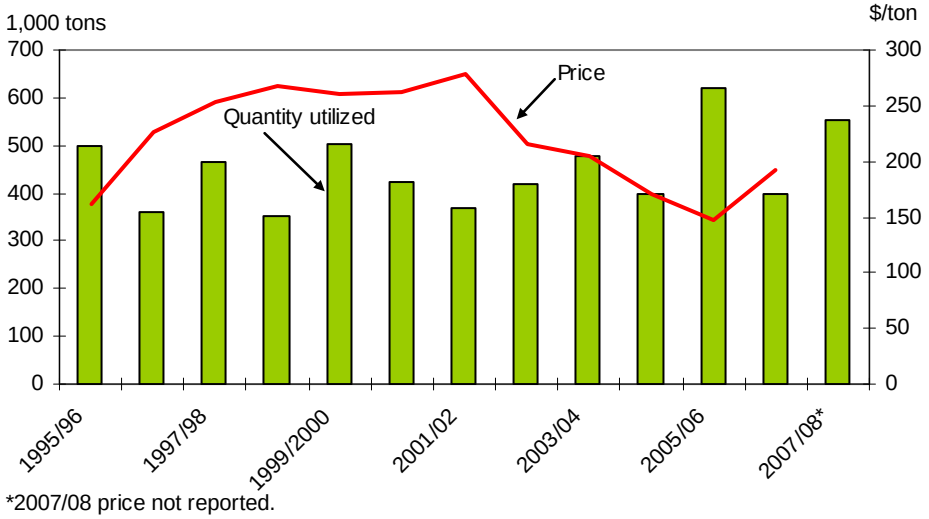
With a total of 7.84 billion pounds (3.92 million tons), the quantity of grapes utilized for wine production in 2007/08 increased 5 percent from the previous season. Prices growers received for those grapes fell from an average of $564 per

ton in 2006/07 to $547 per ton. Dominating much of the wine-grape volume, prices averaged lower in California where 2007/08 production for wine rose 5 percent. At the same time, continued strong winery demand in Washington and Oregon drove 2007/08 grower prices higher despite increased production. The local wine industries in both these States, while small compared with California's wine industry, continue to grow, with increasing wine-grape acreage and winery establishments.

Grape crush for juice likely to decline in 2008/09: Washington, New York, and Michigan are the top grape-producing States for the U.S. grape juice market, accounting for an average of 86 percent of all U.S.-produced grapes utilized by juice processors. Forecast lower grape production this year in all three of these States indicate a decline in the quantity of U.S. grapes that will move through the juice processing sector in 2008/09, likely driving up juice-grape grower juices. Only twice in the past 13 years did juice grape grower prices deviate from the typical production-price inverse relationship (fig. 6). Prices have declined for four consecutive seasons beginning in 2002/03. Juice grape prices bottomed to a 13-year low of $148 per ton in 2005/06 largely due to record-high juice grape production, at 619,110 tons. Prices then rose to $192 per ton the following season as production fell significantly and grape juice imports increased to a record high. Official estimates of prices paid to growers for the grapes were not published for the 2007/08 season. However, what is known is that U.S. grape production utilized by juice processors in 2007/08 increased 39 percent from the previous season and imports rose again, setting a new record.

Raisin production likely to increase in 2008/09: Last year's pricing contract for Natural Seedless raisins, as negotiated by the Raisin Bargaining Association on behalf of California raisin grape growers, included agreements for the minimum price growers were to receive from raisin processors for the 2008/09 through 2010/11 seasons. The current minimum contract price set for the 2008 harvest is

Figure 6
Grapes utilized for juice production in the United States and season-average grower price



*2007/08 price not reported.
Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruit and Nuts Summary*, various issues.

$1,310 per ton, 8 percent higher than the minimum set for the 2007 harvest which was at $1,210 per ton. The minimum price is based on a sliding scale, therefore allowing raisin prices to adjust down or up from the minimum agreed price based on the final production levels. As was mentioned earlier, the 2008 California raisin-grape crop is forecast to increase 3 percent from a year ago, totaling 4.4 billion pounds. Although some of this production will be utilized for wine making and for fresh use, a vast majority will be for raisin production like in the three previous marketing seasons where this share averaged 73 percent.

In 2007/08, the minimum contract price of $1,210 per ton was the same as in the previous season, but grower prices for raisin grapes actually averaged lower for the season. NASS reported the total quantity of grapes produced in California that was processed into raisins (includes raisin and table grapes) in 2007/08 reached 1.603 million tons (or 3.21 billion pounds), up 13 percent from the previous season. This production was equivalent to 356,000 tons on a dried-weight basis, 98 percent of which were raisin grapes valued at $1,060 per ton, down from $1,070 in 2006/07. The downward price pressure from increased production in 2007/08 was partly offset by lower raisin imports and by higher export shipments.

U.S. raisin imports fell below the record set in 2006/07, declining 25 percent to 47.7 million pounds in 2007/08. Imports from each of the top three foreign suppliers to the United States—Chile, Republic of South Africa, and Argentina—were much lower than in 2006/07. U.S. raisin exports were very strong during 2007/08, increasing 36 percent to 336 million pounds, a record-high. U.S. exports rose to many of over 100 country market destinations, however, the biggest gains were to European Union (EU) markets. According to industry sources, weather problems during the harvest season in Greece and Turkey worked to the advantage of U.S. raisin exports in 2007/08, especially in the EU market. Turkey, particularly, is the largest exporter of raisins to the European Union. Tight supplies reduced Turkey's overall raisin exports by about 23 percent in 2007/08, increasing opportunities for U.S. raisin exports. Export potential for U.S. raisins should remain strong in 2008/09, as domestic production is expected to rise. Production in Turkey is forecast to improve in 2008/09 but some of this growth will be used to replenish inventory levels.

2008 U.S. Cranberry Crop Second Largest on Record

NASS forecast the 2008 U.S. cranberry crop at 689 million pounds (6.89 million barrels), up 5 percent from 2007 and only fractionally below the record-large crop harvested in 2006 (table 6). If realized, this year's crop will be the second largest on record. Boosting overall production in 2008 are the expected large crops in Wisconsin and Massachusetts, the Nation's top two cranberry-producing States. Production declines are forecast for the other producing States—New Jersey, Oregon, and Washington.

The Wisconsin crop is forecast up only fractionally from last year's but, if achieved, this will be the State's second-largest cranberry crop, totaling 385 million pounds. A cool, wet spring in Wisconsin delayed crop maturity and hampered early vine growth however growing conditions were favorable overall, promoting a good fruit set. Sunnier and warmer days in July helped facilitate crop progress and similar conditions were hoped for late into the growing season for fruit to continue to size.

Table 6--Cranberries: Total production and season-average prices received by growers, 2005-07, and indicated 2008 production

State	Production				Price		
	2005	2006	2007	2008	2005	2006	2007
	-- Million pounds --				-- Cents per pound --		
Massachusetts	142	190	152	190	35.6	41.3	46.6
New Jersey 1/	53	49	53	50	35.3	39.2	42.2
Oregon	44	47	50	49	34.6	48.3	59.6
Washington	19	11	18	15	37.7	45.5	46.0
Wisconsin	366	394	383	385	35.0	40.2	46.0
United States	624	690	655	689	35.2	41.1	46.9

1/ Small quantities of fresh cranberries are included in processed to avoid disclosure of individual operations.
Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruit and Nuts 2007 Summary* and *Cranberries* (released August 2008).

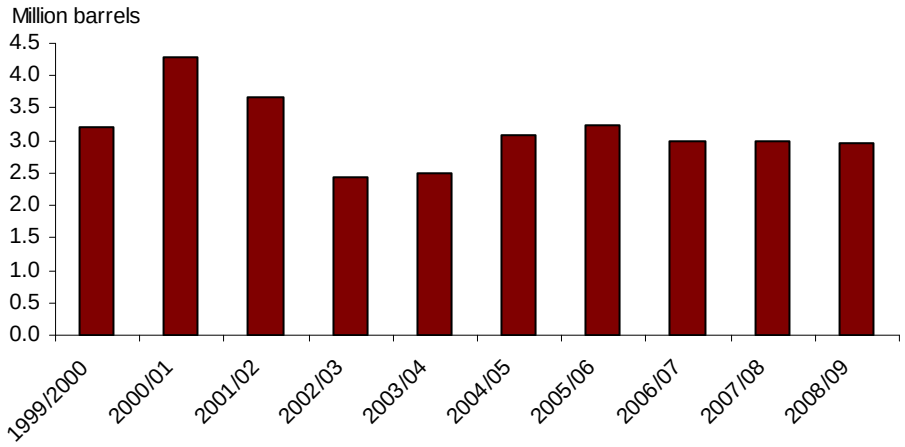
Yields have improved as a result of new and renovated beds that have come into production this year. A more significant production gain is anticipated in Massachusetts where forecast production is up 25 percent, at 190 million pounds—the second largest since 1995. Winter kill damage was less of problem this year for Massachusetts cranberry growers and overall, their crop had a nearly perfect growing season. Massachusetts' crop would have been greater than the current 2008 forecast if not for increases in bogs renovated over the past 2 years that had temporarily halted production in these areas.

As for other cranberry-producing States with forecast smaller crops this year, production in Washington shows the biggest decline, down 18 percent from 2007. Having produced a big crop in 2007 may be part of the reason for the expected production decline in Washington this year. Other contributing factors include the reduced berry size due to the cool weather this spring and several bogs that were replanted and renovated. In Oregon, production is down slightly (1 percent) from a year ago but remains above average relative to previous years while in New Jersey, production is forecast down 6 percent.

The Cranberry Marketing Committee (CMC) is estimating 2008/09 carry-in inventories at 2.96 million barrels (fig. 7). As in the previous two marketing seasons (2007/08 and 2006/07), this level of inventories falls slightly below the 3.0 million barrels the industry feels it would need to sufficiently meet demand for the current marketing season. This indicates that although domestic production will be one of the largest this year, overall supplies will likely not exceed demand, keeping the market strong for U.S. cranberries in 2008/09. The industry is not expecting to see any drastic increase in the level of inventories until new acreage planted in Wisconsin over the past year and this year comes into production in 3 to 4 years.

Domestic production was at a record-high in 2006/07 and the second highest in 2007/08. U.S. cranberry imports were also at the highest levels for both these marketing seasons, although 2007/08 imports were down slightly from 2006/07. Growing demand for cranberries, however, along with relatively low inventory levels acted against these supply increases, driving up cranberry grower prices. Although still not matching the overall high's achieved around the mid-1990s, average cranberry grower prices have been increasing over the past three seasons,

Figure 7
Carry-in cranberry inventories in the United States remain low



Source: Sales data from the Cranberry Marketing Committee.

reaching an average of $46.9 per barrel in 2007/08. The season-average grower price for all cranberries (fresh and processed) reflect mostly the trend and level of prices for cranberries destined for the processing sector which comprise about 95 percent of domestic production.

Production for processing declined 4 percent in 2007/08 and, at $45.8 per barrel, the average grower price for cranberries processed was $6.00 more than it was valued in 2006/07. For the same period, fresh-market production increased 1 percent to 360,000 barrels, but 2007/08 fresh-market grower prices continued to strengthen, averaging $65.3 per barrel. Despite three marketing years (2002/03, 2003/04, and 2005/06) with increased fresh-market production, fresh-market cranberry grower prices have consistently risen every year since 2000/01, the first time NASS reported fresh and processed cranberry grower prices separately.

Based on CMC data, 2007/08 fresh sales (domestic and foreign) posted a 3-percent increase from the previous season, with the gains mostly attributed to strong domestic sales. Domestic consumption of fresh cranberries in 2007 was estimated at 0.10 pound per person, 9 percent higher than in 2006 and 2005. For 2008/09, CMC projections are for a 1-percent increase in fresh sales volume. The Wisconsin and Massachusetts cranberry growers are expecting their 2008 harvest to be one of the biggest ever which will likely enable them to supply the fresh-market with sufficient volumes through the end of the year. Together, these two States produce over 90 percent of the Nation's fresh-market cranberries.

Cranberry demand for processing is also growing as reflected by the upward trend in grower prices for cranberries processed. Grower prices for processed cranberries have been increasing over the past 8 years, except in 2004/05. Cranberry juice is among the major processed cranberry products heavily promoted by the industry. In recent years, Americans have consumed an average of 0.23 gallons of cranberry juice per person (single-strength equivalent) per year, up from around 0.16 gallons in the early 1990s. Processed cranberry sales, according to CMC data, reached relatively higher volumes in recent years, marked by strong sales to both the domestic market, the major outlet, and to international markets comprised of

Germany, Japan, South Korea, Mexico, and Australia. Demand for processed cranberries is expected to continue strong in 2008/09 but low inventories will lead to tight domestic supplies. Even though imports (mostly from Canada) are expected to increase, processed sales volume for 2008/09 is projected to be down 2 percent.

Smaller California Navel Orange Crop Forecast for 2008/09

The first forecast for the new season California navel crop was released by NASS on September 12. According to the *2008/09 California Navel Orange Objective Measurement Survey*, the initial forecast for the new season is 1.2 million tons, down 34 percent from the revised crop of 1.82 million tons last season. If realized, this would be the smallest crop since the freeze-reduced crop in 2001/02.

In May, there was an abnormal spike in temperature, with readings over 100 degrees F. After the spike, fruit drop increased above normal, resulting in the lowest fruit set per tree since the 2001/02 freeze. As a result of the accelerated droppage, this season's fruit set per tree is averaging 202 fruit, down from 390 fruit last season and the lowest on record. This very low set is the major factor contributing to this season's crop being 23 percent below the average crop size since 2000/01 (including the freeze years 2000/01 and 2006/07).

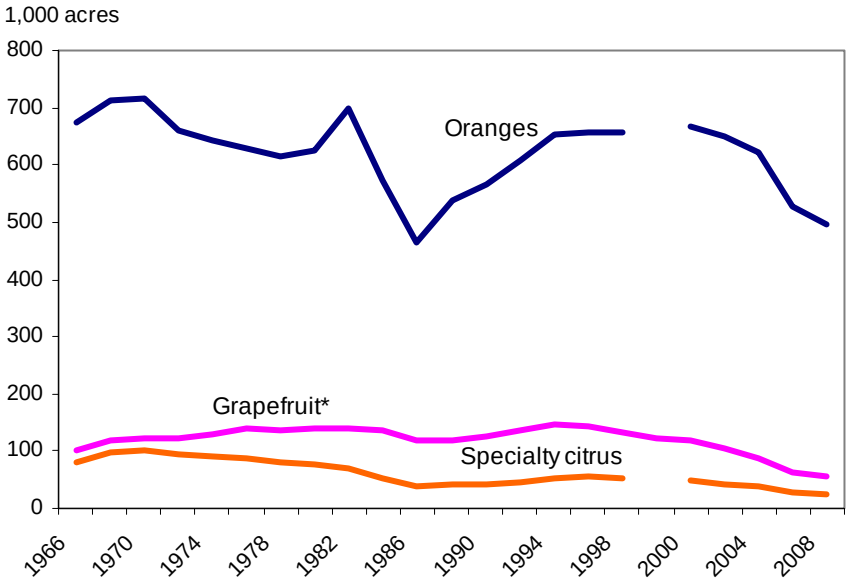
The smaller crop is likely to drive grower prices higher than the past few seasons. As often happens with smaller crops, fruit size has the potential to average on the bigger size this season. As of September 1, the NASS survey reported that the average navel orange was 2.276 inches in diameter, the biggest since 2004/05. It is forecasting that by March 1, the average diameter will increase to 3.054 inches, bigger than last season, but smaller than 2006/07. Major international markets have strong demand for bigger oranges and more large-sized fruit will be helpful in creating strong international demand for this season's crop.

Florida Citrus Production Area Continues to Decline

According to the *Commercial Citrus Inventory Preliminary Report*, released by the NASS Florida Field Office on September 19, the number of commercial citrus acres in Florida declined 7 percent from 621,373 acres, when the last inventory was conducted in 2006, to 576,577 acres in 2008. The number of orange acres declined 6 percent to 496,518 acres in 2008, grapefruit acres declined 10 percent to 56,881 acres, and specialty citrus fruit—tangerines and tangelos (Temple oranges are now included with oranges)—declined 10 percent to 23,178 acres (fig. 8). The orange acreage is the lowest since the freeze year 1986, but grapefruit and specialty fruit acreage are the lowest since recordkeeping began in 1966. Factors contributing to the reduction in citrus acreage since 2006 include urban development, loss of trees to disease (especially citrus canker and greening), and the abandonment of nonproductive groves. Acreage also declined due to the loss of two large citrus areas which were converted to reservoirs by a water management district. Florida also lost many of its citrus nurseries because of citrus canker. Regulations were put into effect that were directed at the nursery industry to prevent the spread of the disease through nursery stock. As a result, growers had difficulty obtaining new citrus trees to replant some of the acres. This factor contributed to the decline in the total number of trees in Florida's citrus inventory down to 75.4 million trees, 8 percent fewer than in 2006.

Figure 8

Florida's commercial citrus acreage, 1966-2008



* A special census was conducted in 1999 specificially for grapefruit acreage.
Source: USDA, National Agricultural Statistics Service, *Commercial Citrus Inventory*, 2008.

Florida's citrus acreage has been declining every year since 1998, but only since 2002 has orange acreage been included. Grapefruit acreage has been declining annually since peaking in 1994. In recent years the decline has been accelerated not only due to the factors already mentioned but also due to the direct hits from the hurricanes in 2004 and 2005 and to the weakening domestic demand for fresh grapefruit and grapefruit juice. Florida's specialty citrus crop industry has been facing growing competition from imported tangerine varieties, especially the clementines, reducing growers' incentives to replace trees of the less popular tangerine varieties.

What will the effects of Florida's declining citrus acreage have on producers and consumers? The effects will vary depending on the crop and the weather. The weather will always be an important factor in determining a crop size each season, and the potential for big crops is still there, although not the sizes seen in the mid-1990s. Once the issue with nursery tree availability is worked out, growers can increase acres replanting as well as increase the number of trees planted per acre, increasing production. In the near future, however, despite smaller crops likely, orange growers may be facing lower prices. Almost the entire orange crop goes to making orange juice. Should the demand for orange juice remain stagnant, processors may not be willing to pay price premiums common with small crops. Consumers, however, will not immediately experience any effects from changes that may be occurring in the industry. Prices they pay at retail reflect how processors deal with the present supply and demand situation for juice, and the prices growers receive is not always directly passed along to consumers.

Grapefruit growers have been dealing with declining demand for about a decade. Even with the declining production due to disease and hurricanes, citrus acres lost to abandonment in 2008 were greatest for grapefruit than for any other crop.

According to the NASS *Citrus Abandoned Acres* report, also released on September 19, the greatest acreage losses were in St. Lucie and Indian River counties. These two counties account for much of the State's grapefruit production. The high quantity of abandoned grapefruit acreage can be seen as an indication of the reduced profitability of grapefruit production to some growers. The higher costs of production in recent years, especially with the added costs due to disease control, may be making some of the groves unprofitable, especially during years with low grower prices. There these groves have been abandoned. The changes in the grapefruit industry largely are an ongoing process as the industry continues to adjust to changing consumer preferences.

Florida's tangerine producers have also been facing declining demand, especially for some of the traditional varieties of tangerine produced in the State. Producers have shifted away from less popular varieties and acres of Honey tangerine, the most popular of Florida's tangerines, now account for almost half the State's tangerine acres. Similarly, the acres of Minneolas, a popular tangelo variety, declined the least of all tangelo acres. Omitting weather factors, consumers should still find enough Florida tangerines as well as supplies of imported varieties such as clementines. California clementines will also become more available nationwide, further increasing the supply of the ever popular variety.

Record Big Walnut Crop Forecast for 2008

The results of the 2008 *California Walnut Objective Measurement Report* released by the NASS California Field Office on September 4, indicates that for 2008, walnut production will reach 375,000 tons, 15 percent higher than last year and a record high. The bigger crop comes from higher average yield per acre this year, forecast at 1.72 tons, also the highest on record. Higher yields per acre are largely due to the increase in the number of bearing trees per acre this year, but also to the increase in the average nut set per tree. Although bearing acreage remained unchanged from last year at 218,000 acres, the number of trees on these acres producing a commercial crop rose from 62.9 trees last year to 65 trees this year. The number of trees per acre has been growing at a faster rate than the increase in bearing acres, and is a primary factor in the trend towards increasing crop sizes since 2000. The number of trees has increased at a rate of 2 percent annually over the past 2 decades. At the same time, the number of bearing acres has been only growing at a rate of 1 percent annually.

The average nut set this year is indicated to be 1,416 nuts per tree, 4 percent higher than last year, but lower than any previous year since 1998. The smaller-than-average number of nuts per tree allows the nuts to grow bigger. As a result, this year, 67 percent of the nuts are forecast to be jumbo size, compared with 55 percent in 2007 and 51 percent the previous 2 years. Another 16 percent of the nuts are expected to be large size. The higher percent of bigger-sized nuts will be a factor in strengthening grower prices, especially in light of the very big crop the industry needs to sell.

Last year, grower prices reached a record high of $2,320 per ton, driving the value of the 2006/07 crop to a record high of $754 million, 34 percent higher than in 2006, and 63 percent higher than the average revenue for 2003-2005. With the very big crop this year, the price per ton is likely to come down from last year.

However, even with lower grower prices, the value of the crop is likely to remain above average due to expected strong demand. While the Foreign Agricultural Service Attaché reports show an increase in Europe's walnut production for 2008, beginning stocks are low, resulting in only a slight increase in supplies over last year, and a projection for higher demand for imports, a large share of which come from the United States.

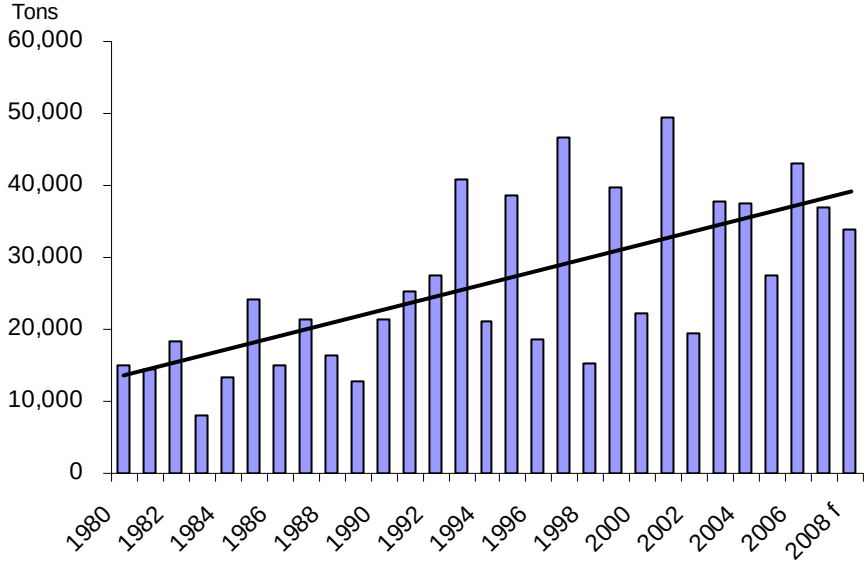
Hazelnut Crop Forecast to Be Down for Second Consecutive Year

The 2008/09 hazelnut crop is forecast at 34,000 tons, according to NASS *Hazelnut Objective Yield Survey*, released September 9. The crop would be the second consecutive year of a smaller crop. The size of the 2007 crop, which was revised upward in the report to 37,000 tons (from 35,500 reported in the July *Noncitrus Fruit and Tree Nuts Summary*) was down 14 percent from 2006 and this crop is forecast to be down 8 percent from 2007. If realized, this would be the smallest crop since 2005.

Hazelnut trees have not shown a consistent alternate-bearing pattern that is usual for many nut trees since 2002 (fig. 9). In more recent years, changes in crop size are as likely due to weather and other factors as to the trees' cyclical production swings. While this year's crop is down 21 percent from 2006, the 2006 crop was the second biggest in 10 years. Hazelnut production has been on an upward trend since the mid-1990s and at 34,000 tons, this year's crop would be about average-sized since the mid-1990s.

Figure 9

U.S hazelnut production, 1980-2008f



Source: *Crop Production* , U.S. Department of Agriculture, National Agricultural Statistics Service.

In Oregon, where most of the Nation's hazelnuts are grown, cooler-than-normal weather during the summer contributed to a 3-week delay in nut maturity. As a result, the NASS survey had been delayed a month from its usual August date because the nuts were too underdeveloped for the NASS laboratory to do its quality analysis.

The lab results showed that the percentage of good nuts, of those picked for analysis this season, was the highest since 1976. The large-sized hazelnuts had the biggest percentage of good nuts this season, compared with jumbo, medium, and small-sized hazelnuts. The large-sized nuts make up the biggest share of the crop.

In general, however, the survey showed that the average size of the good nuts was smaller and lighter in weight this season, indicating there would be fewer large and jumbo nuts available for sale. About 48 percent of the crop is forecast to be large nuts, another 30 percent jumbo, 10 percent medium, and 12 percent small. The large and jumbo nuts are the highest demanded size and receive the best price. Usually when a crop is smaller, and there are fewer nuts per tree, as has occurred this season, the average nut size tends to be larger. For example, in 2005, when production was 27,600 tons, about 81 percent of the size of this year's forecasted crop, the majority of the hazelnuts fell into the jumbo category. With the smaller crop and lower number of bigger nuts, especially jumbos, the value of this season's crop is likely to be lower than last season. The value of last season's crop, however, reached a record high of $75.5 million (number adjusted by ERS from the NASS number reported in the *Noncitrus and Tree Nut Summary* to account for the revised crop size for 2007 released this month).

While the U.S. hazelnut crop is forecast down this year, Turkey's hazelnut crop, the largest in the world, is forecast by FAS to be a record high. The Turkish hazelnut industry is also facing very large inventories entering the new season. Together, these factors are likely to put downward pressure on world hazelnut prices. The FAS attaché report also indicates the there are quality issues with Turkey's hazelnuts this year. This could be a plus for the U.S. producers, because importers may show a willingness to pay higher prices for U.S. hazelnuts to get the quality they want, despite the large supplies on the international market.

California Citrus Exports Strong in 2007/08

Export shipments of California oranges and lemons were up in 2007/08 from the previous season (table 7). Much of the increase in orange shipments was the return to a more normal crop size in 2007/08 after a freeze damaged California's orange production midway through 2006/07, reducing shipments for much of the second half that season. Shipments from November 2007 through July 2008 over the same time last season, increased 71 percent to Canada, the No.1 market; and almost doubled to Japan, the No. 3 market. Shipments grew less dramatically to South Korea, the No. 2 market, but they were still strong.

Despite a dramatically smaller crop this season, lemon exports increased 31 percent for the 2007/08 season over the previous season. Lemon production was down for 2007/08 from many of the major-producers—Argentina, Spain, and Turkey, as well as the United States. As a result, demand was strong for U.S. lemons from its major international markets, Japan and Canada.

While grapefruit exports declined this season September 2007-July 2008 over the same period last season, they were higher than the previous two seasons. A decline in the size of Florida's grapefruit crop in 2007/08 was a big factor in the reduced shipments. Florida is the major U.S. grapefruit producer. Since 2004/05, after hurricanes extensively damaged Florida's grapefruit trees, exports have been averaging lower than any time in recent history, except in 2006/07. From 2000/01 until 2003/04, exports averaged over 800 million pounds annually, 41 percent higher than this season's 591.2 million pounds. While shipments were down this season through July over the same time last season to Japan and Canada, the major markets, they were up to the major European markets—The Netherlands and France.

Apple exports increased 5 percent in 2007/08 over the previous season despite a smaller crop, similar to lemon exports. At almost 1.5 billion pounds, exports in 2007/08 were the second highest since 2000/01. Smaller crops during the 2007/08 season from major world producers, especially China, Poland, and Argentina, helped increase demand for U.S. apples. In light of the smaller Chinese crop, U.S. apple shipments increased to Hong Kong and Taiwan. Similarly, shipments rose to Russia, as Poland, a major Eastern European apple producer experienced a 40-percent decline in its production in 2007/08, according to USDA's Foreign Agricultural Service data. Much of the increase in exports, however, came from bigger shipments to Mexico and Canada, the top two export markets for U.S. apples. Although Canada's crop was up for the season, and Mexico's crop was down slightly, the weak dollar made U.S. apples very competitive in their markets, increasing demand.

Orange Imports Down; Lemon Imports Up in 2007/08

U.S. imports of fresh oranges fell almost 60 percent between 2006/07 and 2007/08 (table 8). Much of the decline came from the sharp reduction in counter seasonal navel imports. About half of the oranges imported into the United States arrive during the late spring and summer months, when U.S. navel oranges are not available. Shipments from the two major sources, Australia and South Africa, were

down this season. Australia's citrus region has been dealing with several years of drought that has adversely affected its orange production and reduced the quantity available for export. The effects of the drought had been very strong this season, and its navel orange production and therefore exports were down sharply.

Over the past few decades, the United States traditionally received most of its lemon imports from Spain and Chile. Over the past two seasons, however, imports from Mexico have rapidly increased. In the early 2000s, lemon imports from Chile accounted for abut 40 percent of the total; those from Spain, another 30 percent. At the same time fresh lemon imports from Mexico accounted for only 11 percent. Prior to the mid-2000s, Mexico's lemons accounted for less than 5 percent of all lemon imports. In 2007/08, by contrast, 64 percent of all the lemon imported into the United States came from Mexico. Weather factors in Spain that had reduced its crop were partially responsible for U.S. importers turning more toward Mexico to meet demand. However, other factors are also at play, changing Mexican lemon imports in recent years from processed form to fresh. There is a growing trend among citrus distributors in the United States to provide their markets with all the major citrus fruit on a yearround basis. As a result, distributors are going outside the United States to be able to compete. Since lemon production is strongly concentrated in California, some citrus distributors from other States have turned to Mexico for fresh lemons and Spain for clementines. California distributors also shipped lemons in from Mexico to be able to meet their customers' needs in light of the smaller domestic crop. While Mexico once produced lemons to be exported as juice or other processed lemon products, it has improved its production to meet the requirements for high quality, fresh fruit. This trend is likely to continue in the years to come.

Table 7--U.S. exports of selected fruit and tree nut products

Commodity	Marketing season	Season-to-date (through July) 2007	Season-to-date (through July) 2008	Year-to-date change
		---------- *1,000 pounds* ----------		*Percent*
Fresh-market:				
Oranges	November-October	732,525	1,290,242	76.1
Grapefruit	September-August	707,192	591,173	-16.4
Lemons	August-July	258,495	338,312	30.9
Apples	August-July	1,407,302	1,485,091	5.5
Grapes	May-April	74,725	65,018	-13.0
Pears	July-June	11,677	14,603	25.1
Peaches (including nectarines)	January-December	122,445	134,514	9.9
Straw berries	January-December	153,734	181,006	17.7
Cherries	January-December	108,453	91,924	-15.2
		------ *1,000 sse gallons 1/* -------		
Processed:				
Orange juice, frozen concentrate	October-September	35,783	40,206	12.4
Orange juice, not-from-concentrate	October-September	59,729	79,032	32.3
Grapefruit juice	October-September	16,091	12,295	-23.6
Apple juice and cider	August-July	7,575	8,987	18.7
Wine	January-December	63,050	70,078	11.1
		---------- *1,000 pounds* ----------		
Raisins	August-July	247,402	335,874	35.8
Canned pears	June-May	963	2,707	181.1
Canned peaches	June-May	6,018	9,260	53.9
Frozen straw berries	January-December	19,269	20,007	3.8
		---------- *1,000 pounds* ----------		
Tree nuts:				
Almonds (shelled basis)	August-July	768,620	889,488	15.7
Walnuts (shelled basis)	August-July	165,634	232,628	40.4
Pecans (shelled basis)	October-September	39,851	64,315	61.4
Pistachios (shelled basis)	September-August	82,317	135,314	64.4

1/ Single-strength equivalent.

Source: U.S. trade data provided by the U.S. Department of Commerce, U.S. Census Bureau.

Table 8--U.S. imports of selected fruit and tree nut products

Commodity	Marketing season	Season-to-date (through July) 2007	2008	Year-to-date change
		---------- *1,000 pounds* ----------		*Percent*
Fresh-market:				
Oranges	November-October	163,684	65,898	-59.7
Tangerines (including clementines)	October-September	243,561	177,602	-27.1
Lemons	August-July	122,373	146,381	19.6
Limes	January-December	431,955	460,551	6.6
Apples	August-July	427,854	380,548	-11.1
Grapes	May-April	306,586	308,561	0.6
Pears	July-June	7,041	6,864	-2.5
Peaches (including nectarines)	January-December	120,097	126,946	5.7
Bananas	January-December	5,272,267	5,216,078	-1.1
Mangoes	January-December	441,275	478,738	8.5
		------ *1,000 sse gallons 1/* -------		
Processed:				
Orange juice, frozen concentrate	October-September	304,425	317,758	4.4
Apple juice and cider	August-July	538,846	590,853	9.7
Wine	January-December	126,042	115,533	-8.3
		---------- *1,000 pounds* ----------		
Canned pears	June-May	12,618	9,618	-23.8
Canned peaches (including nectarines)	June-May	31,820	19,355	-39.2
Canned pineapple	January-December	444,267	459,498	3.4
Frozen straw berries	January-December	148,970	140,452	-5.7
		---------- *1,000 pounds* ----------		
Tree nuts:				
Brazil nuts (shelled basis)	January-December	17,136	10,949	-36.1
Cashew s (shelled basis)	January-December	145,260	145,498	0.2
Pine nuts (shelled basis)	January-December	5,048	6,977	38.2
Pecans (shelled basis)	October-September	54,152	69,432	28.2

1/ Single-strength equivalent.

Source: U.S. trade data provided by the U.S. Department of Commerce, U.S. Census Bureau.

Contacts and Links

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Data

The *Fruit and Tree Nuts Situation and Outlook Yearbook* has over 130 tables of annual or monthly time-series data on specific fruit commodities. Data include bearing acreage, production, prices, trade, per capita use, and more. To order a copy call 1-800-999-6779.

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