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Fruit and Tree Nuts Outlook

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Production Forecast Down for All New-Season Citrus Crops Except Lemons

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The index of prices received by fruit and tree nut growers fell 2 percent between September and October, with lower prices for oranges and lemons. The Consumer Price Index rose 2 percent in September from August, to the highest index level in 2008, before declining 2 percent in October.

The 2008/09 orange crop is expected to be smaller in all of the production States—Florida, California, Arizona, and Texas. California's orange production is forecast at 1.65 million tons, down 32 percent from last season. The smaller crop should help strengthen grower prices for fresh oranges this season. Florida is forecast to produce 7.5 million tons of oranges during the 2008/09 season, 3 percent less than last season. With expected weakened demand for oranges for processing, grower prices are not expected to increase markedly in response to the smaller crop size.

Grapefruit production is also expected to be lower this season, with fewer fruit produced in all the major production States. With tighter supplies, demand for the U.S. grapefruit crop this season is likely to be strong in both the domestic and international markets, which should boost grower prices.

Tangerine production is also expected to be down in 2008/09 from the previous season. Florida, traditionally the major tangerine producer in the United States, is forecast to have a smaller crop, but California's crop is expected to be larger. For the first time, California's tangerine production will exceed Florida's production, as California growers have increased the area and trees planted to various tangerine varieties, which are now coming into full, commercial production.

Lemon production is expected to be up this season, with the biggest crop in three years. Bigger crops are forecast for California and Arizona, the two States that produce the bulk of the U.S. commercial lemon crop. Prices for the first two months of the new season have been considerably lower than the same time the past two seasons, but higher than the prior seasons of the 2000s.

Price Outlook

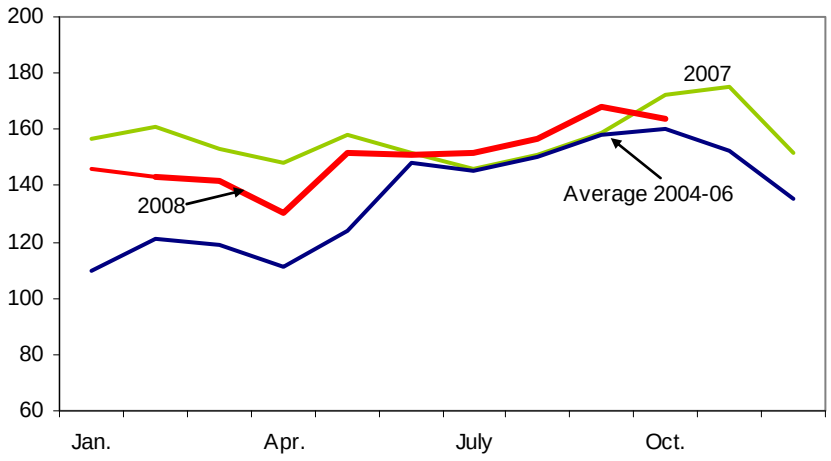
Index of Prices Received by Fruit and Tree Nut Growers Falls as New Citrus Season Gets Underway

The index of prices received by fruit and tree nut growers fell 2 percent between September and October to 164 (1990-92=100), as the new-season citrus crop starts to enter the market, bringing lower prices for 2008/09 lemons and the remaining Valencia oranges from 2007/08 (fig. 1). The fall in the index also marks the first time it was below 2007 since June. With the forecast for a more normal-sized lemon crop this season, after two seasons of smaller than average crops, grower prices came down this September and October, averaging $18 per 75-lb box for the two months for all lemons, close to half the average price per box for the same two months in 2007 (table 1). The increased lemon supply during the early months of the new season, has driven fresh lemon prices down from a near peak price last October of $47.95 per box to $22.40 a box this October.

Grower prices for oranges also fell this September and October, as the industry moved the end of its Valencia orange crop with new season navel oranges beginning to enter the market. Prices during these two months were mostly reflective of the end of California's Valencia orange season.

Grower prices for fresh grapes fell 15 percent between this September and October and 25 percent this October over October 2007. The bigger grape crop this season has helped create big supplies in cold storage, likely contributing to the lower prices. Grape growers are likely to continue to face lower prices in November as demand for the California crop declines and new-season Chilean grapes begin entering the U.S. market.

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		2008		2007-08 Change	
	September	October	September	October	September	October
	Dollars per box				*Percent*	
Citrus fruit: 1/						
Grapefruit, all	8.55	10.06	5.21	10.41	-39.1	3.5
Grapefruit, fresh	9.74	11.63	6.00	12.63	-38.4	8.6
Lemons, all	33.08	37.98	19.18	17.03	-42.0	-55.2
Lemons, fresh	46.10	47.95	28.54	22.40	-38.1	-53.3
Oranges, all	7.84	9.60	5.71	4.22	-27.2	-56.0
Oranges, fresh	12.83	14.59	10.22	10.12	-20.3	-30.6
	Dollars per pound					
Noncitrus fruit:						
Apples, fresh 2/	0.40	0.38	0.54	0.44	33.3	16.6
Grapes, fresh 2/	0.40	0.47	0.42	0.36	6.3	-24.5
Peaches, fresh 2/	0.28	--	0.23	--	-19.9	--
Pears, fresh 2/	0.19	0.26	0.29	0.30	51.3	14.1
Strawberries, fresh	0.57	0.80	0.70	0.71	22.1	-11.1

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*.

September Consumer Price Index for Fresh Fruit Is Highest for the Year, Then Drops in October

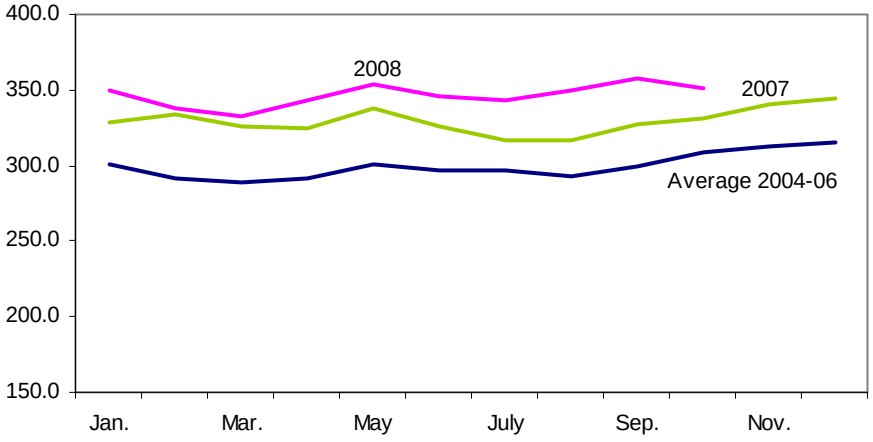
The Consumer Price Index (CPI) rose in September to 357.5 (1982-84=100), 2 percent above August and 9 percent above last September, to the highest level in 2008 (fig.2). Consumers were paying higher prices at the retail level this September than last for bananas, Red Delicious apples, Thompson seedless grapes, and strawberries (table 2). Continued tight supplies of bananas due to weather-damaged crops in Central America and a smaller than average apple crop this season, coupled with dwindling stocks from last year's apple crop drove up the price of both fresh fruit, which are very important in the market during the fall months. As a result of the reduced supply of apples, consumers paid more for a pound of Red Delicious apples this September than at any time in at least the past two decades.

The CPI fell 2 percent in October from September and 6 percent from last October. Retail prices declined for citrus fruit—navel oranges, grapefruit, and lemons—between September and October and this October compared to last October (table 2). Consumers paid less this October from September for Red Delicious apples and bananas. Prices for both of these fruit, however, were considerably higher than last October. Retail prices for bananas averaged $0.628 per pound, 24 percent above last October. For Red Delicious apples, consumers paid an average of $1.40 per pound, 30 percent more than last October.

The CPI for fresh fruit is likely to remain above the index of the past several years throughout the remainder of 2008. The new citrus crop, which will play an important role in fresh fruit supplies during the coming months, is forecast to be smaller than last season, with fewer fresh oranges and grapefruit available than last year. Lemon prices, however, should come down from the very high prices seen at

retail the past two winters, as lemon production is forecast to be at a three-year high.

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

Commodity	Unit	2007		2008		2007-08 Change	
		September	October	September	October	September	October
		--- *Dollars* ---		--- *Dollars* ---		--- *Percent* ---	
Fresh:							
Valencia oranges	Lb.	1.066	1.043	1.054	--	-1.1	--
Navel oranges	Lb.	1.503	1.542	1.471	1.410	-2.1	-8.6
Grapefruit	Lb.	1.032	1.144	1.103	1.068	6.9	-6.6
Lemons	Lb.	1.819	2.015	2.179	2.080	19.8	3.2
Red Delicious apples	Lb.	1.178	1.083	1.584	1.401	34.5	29.4
Bananas	Lb.	0.505	0.508	0.631	0.628	25.0	23.6
Peaches	Lb.	1.450	--	1.487	--	2.6	--
Anjou pears	Lb.	--	--	--	--	--	--
Strawberries 1/	12-oz. pint	2.004	2.284	2.177	2.326	8.6	1.8
Thompson seedless grapes	Lb.	1.612	2.114	1.707	1.969	5.9	-6.9
Processed:							
Orange juice, concentrate 2/	16-fl. oz.	2.590	2.574	2.544	2.494	-1.8	-3.1
Wine	liter	7.399	9.538	8.691	10.857	17.5	13.8

-- 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.

Citrus Production Forecast Down for 2008/09

USDA's National Agricultural Statistics Service (NASS) forecast for the 2008/09 citrus crop is for 11.9 million tons of fruit, 8 percent less than last season but 14 percent higher than in 2006/07. Smaller crops are forecast for oranges, grapefruit, and tangerines. Only the lemon crop is expected to be bigger this season, while tangelo production remains the same. Tangelo production is forecast to remain unchanged.

The 2008/09 orange crop is expected to be smaller in all of the production States, Florida, California, Arizona, and Texas. Grapefruit production is also expected to be lower this season, with fewer fruit produced in all the major production States—Florida, Texas, and California. Only Arizona is expected to produce more grapefruit this season. Its production, however, is so small relative to the other States, that it has little impact on the overall supply. Tangerine production is also expected to be down in 2008/09 from the previous season. Florida, traditionally the major tangerine producer in the United States, is forecast to have a smaller crop, but California's crop is expected to be larger. For the first time, California's tangerine production will exceed Florida's, as growers in the State have increased the area and trees planted to various tangerine varieties, which are now coming into full commercial production. Lemon production is expected to be up this season, with the biggest crop in three years. Bigger crops are forecast for California and Arizona, the two States that produce the bulk of the U.S. commercial lemon crop.

Smaller California Orange Crop in 2008/09 Likely To Increase Grower Prices

NASS forecasts California's orange production at 1.65 million tons, down 32 percent from last season and down 4 percent from two seasons ago (table 3). If realized, this season's crop would be the smallest since the freeze-damaged crop in 1998/99. Warm temperatures in June increased fruit droppage, resulting in the forecast for the lowest number of fruit per tree in at least the last two decades.

As the major U.S. producer of oranges for fresh use, California's smaller crop will mean tighter supplies at retail markets this season. Demand should be strong for the 1.2 million tons of navel oranges expected to be produced in California, the best-selling orange variety and the major variety in the market from October through much of June. That should translate into higher prices for growers and at the retail level. California's Valencia orange crop is also expected to be smaller this season than last. The smaller crop should help growers improve prices they will receive this season, as it will be easier to move a smaller crop in light of weakened demand for Valencia oranges over the past several years.

Florida's navel orange crop, about 75 percent of which is destined for the fresh market, is forecast at 148,500 tons in 2008/09, 10 percent higher than the last season. These oranges are mostly sold on the East Coast through November and December and account for just a fraction of the total fresh-market navels. Because of the overall short supply of navels this season, Florida's growers are likely to reap some of the benefits of higher navel-orange grower prices expected this season.

Table 3--Oranges: Utilized production, 2005/06-2007/08 and forecast for 2008/09 1/

Crop and State	Utilized			Forecast 2008/09	Utilized			Forecast 2008/09
	2005/06	2006/07	2007/08	as of 10-2008	2005/06	2006/07	2007/08	as of 10-2008
	--1,000 boxes 2/--				*--1,000 short tons --*			
Oranges:								
Early/mid-season and navel 3/:								
Arizona	250	200	230	150	9	7	9	6
California	47,000	34,500	48,500	32,000	1,763	1,294	1,819	1,200
Florida	75,000	65,600	83,500	88,000	3,375	2,952	3,757	3,960
Texas	1,400	1,600	1,500	1,300	60	68	64	55
Total	123,650	101,900	133,730	121,450	5,207	4,321	5,649	5,221
Valencia:								
Arizona	200	100	150	100	8	4	6	4
California	14,000	11,500	16,000	12,000	525	431	600	450
Florida	72,700	63,400	86,700	78,000	3,272	2,853	3,902	3,510
Texas	200	380	234	200	9	16	10	9
Total	87,100	75,380	103,084	90,300	3,814	3,304	4,518	3,973
All oranges	210,750	177,280	236,814	211,750	9,021	7,625	10,167	9,194

1/ The crop year begins with bloom of the first year shown and ends with completion of harvest the following year.
2/ Net pounds per box: Arizona and California--75, Florida--90, and Texas--85.
3/ Navel and miscellaneous varieties in California and Arizona, and early- and mid-season (including Navel) varieties in Florida and Texas. A small quantity of tangerines is also included in Texas' data.
Source: USDA, National Agricultural Statistics Service, *Crop Production Report.*

Fewer Florida Valencia Oranges Drives Down Florida's Orange Crop Forecast

Florida is forecast to produce 7.5 million tons of oranges during the 2008/09 season, 3 percent less than last season but 29 percent more than two seasons ago. While early- to mid-season and navel orange production is expected to be up 5 percent to 4 million tons, it was not enough to offset the Valencia orange production decline of 10 percent to 3.5 million tons. Fruit set per tree was above normal for the early- to mid-season orange trees, but slightly below normal for Valencia trees. Fruit sizes are expected to be about average for all varieties.

On average, 95 percent of Florida's oranges are processed into juice. The initial estimate for the average juice yield this season is 1.59 gallons of orange juice, at 42 degrees Brix, per 90-lb box of oranges. (This concentration is for frozen-concentrated orange juice). If realized, this would be the lowest overall yield in three seasons. While this generally would indicate a greater demand by processors for oranges to make enough juice to meet their needs, very high juice stocks coming into the new season, along with sluggish demand for orange juice by U.S. consumers, may result in weak demand for Florida's oranges and could put downward pressure on grower prices. This may even occur for Valencia orange producers, despite the smaller crop expected this season. Usually, the juice industry places a higher value on Valencia oranges over the early- to mid-season varieties because of their color and juice qualities. With weak demand for oranges this season, the price differential between early- to mid-season and Valencia oranges may be less evident than during previous stronger marketing seasons.

The Economic Research Service forecasts that orange juice supplies will be at a 4-year high in 2008/09 at 2 billion gallons of juice, single-strength equivalent (table 4). This assumption is based upon full utilization of this season's crop and on the initial NASS estimate of juice yields per box at 1.59 gallons per box for frozen

Table 4--United States: Orange juice supply and utilization, 1990/91 to date

Season 1/	Beginning stocks	Production	Imports	Supply	Exports	Domestic consumption	Ending stocks 2/	Per capita consumption
	----------	----------	Million sse gallons 3/	----------	----------	----------	----------	Gallons
1990/91	225	876	320	1,422	94	1,170	158	4.6
1991/92	158	930	286	1,374	107	1,096	170	4.3
1992/93	170	1,207	324	1,701	114	1,337	249	5.2
1993/94	249	1,133	405	1,787	107	1,320	360	5.0
1994/95	360	1,257	198	1,815	117	1,264	434	4.8
1995/96	434	1,271	261	1,967	119	1,431	417	5.3
1996/97	417	1,437	256	2,110	148	1,398	564	5.2
1997/98	564	1,555	281	2,400	150	1,571	679	5.7
1998/99	679	1,236	350	2,265	147	1,585	534	5.7
1999/00	534	1,493	339	2,366	146	1,575	645	5.6
2000/01	645	1,389	258	2,292	123	1,471	698	5.2
2001/02	698	1,435	189	2,322	181	1,448	692	5.0
2002/03	692	1,251	291	2,235	103	1,427	705	4.9
2003/04	705	1,467	223	2,395	123	1,450	822	5.0
2004/05	822	976	358	2,155	119	1,412	623	4.8
2005/06	623	988	299	1,910	138	1,314	459	4.4
2006/07	459	891	399	1,749	123	1,250	376	4.2
2007/08	376	1,157	411	1,944	151	1,157	636	3.8
2008/09 f/	636	1,059	285	1,980	145	1,235	600	4.0

f = forecast.

1/ Season begins in December of the first year shown. As of 1998/99, season begins the first week of October.

2/ Data may not add due to rounding. Beginning with 1994/95, stock data include chilled as well as canned and frozen concentrate juice. 3/ SSE = single-strength equivalent. 4/ Forecast.

Source: USDA, Economic Research Service.

concentrated juice and an ERS estimate of 6.35 gallons per box for single-strength juice.

In light of the economic crisis around the world as the 2008/09 orange juice season gets underway, juice exports are expected to be down slightly from last season. Although the U.S. dollar has gained strength in the international market, it is still not as strong as previous years and U.S. products are still very competitive, tempering a decline in international demand. U.S. orange juice exports, which are mostly single-strength juice, may lose some markets to Brazil's exports, but many consumers of U.S. orange juice in the international markets are fairly affluent and will still demand the higher valued U.S. single strength juice.

With the biggest beginning juice stocks in four seasons, and expected highest juice production in five seasons, U.S. demand for imported orange juice is forecast to be down this season, resulting in the forecast for 2 billion gallons of juice supply. With the possibility of processors lowering retail prices, whether through more retail promotions this season, or other means, domestic orange juice consumption is forecast to reach 4 gallons per person, up 6 percent from last season, but still 5 percent lower than average for the 2000s. Should domestic consumption increase, ending stocks will likely decline from last season, and would be lower than the average for the decade.

Brazil's Orange Juice Exports Expected Strong in 2008

Despite an expected decline in Brazil's orange juice production for 2008, large juice stocks at the beginning of the season provide for ample supplies to increase exports over the previous season, according to the USDA's Foreign Agricultural Service's (FAS) attaché report as of July 2008 (table 5). FAS forecasts that Brazil will export

1.8 million gallons, single-strength equivalent, of orange juice this season, up almost 1 percent from last year, and about 1 percent higher than the average for the 2000s. About 83 percent of the juice exported is expected to be frozen concentrated orange juice (FCOJ), with the remainder not from concentrate (NFC).

In recent years, Brazil's shipments of NFC have been increasing as a share of its total orange juice exports. These shipments directly compete with U.S. exports which are predominant NFC. During the previous marketing season, the United States was the single biggest market for Brazil's NFC, followed by Belgium and the Netherlands (which transship most of the juice to other European countries). Some U.S. orange juice producers began using Brazilian NFC during the two seasons when hurricanes severely reduced available domestic fruit for processing and they appear to continue to import even though they face large juice stocks. Although the United States is forecast to reduce its imports of all orange juice this season, there should still be strong demand in Europe and Asia for Brazilian orange juice.

Smallest Grapefruit Crop in Three Years Forecast for 2008/09

Grapefruit production for the 2008/09 season is forecast at 1.4 million tons, 12 percent below last season and 15 percent below two seasons ago (table 6). Production is forecast to be down 14 percent in Florida, which typically accounts for 70 percent of U.S. production. Production is also forecast to be lower in Texas and California, with only Arizona's crop expected to be bigger. In most years, Arizona's grapefruit production accounts for less than one percent of the total.

Table 5--Brazilian FCOJ production and utilization, 1991-2008

Season 1/	Beginning stocks	Production	Domestic consumption	Exports	Ending stocks 2/
			--Million sse gallons 3/--		
1991	177	1,334	25	1,390	96
1992	96	1,610	25	1,532	148
1993	148	1,572	25	1,546	148
1994	148	1,583	31	1,482	218
1995	218	1,525	25	1,476	242
1996	242	1,620	24	1,660	177
1997	177	1,954	22	1,778	331
1998	331	1,665	26	1,586	418
1999	418	1,912	22	1,821	486
2000	486	1,683	21	1,778	370
2001	370	1,375	21	1,511	212
2002	212	1,904	21	1,757	337
2003	337	1,618	25	1,852	79
2004	79	2,084	28	1,992	142
2005	142	1,807	32	1,877	25
2006	25	2,024	39	1,989	21
2007	21	2,061	43	1,824	214
2008	214	1,838	72	1,838	72

f = forecast. 1/ Season begins in July. 2/ Data may not add due to rounding.
3/ SSE = single-strength equivalent. To convert to metric tons at 65 degrees brix, divide by 140588. Beginning in 2007, divide by 13926.
Source: USDA, Foreign Agricultural Service, *Brazil Citrus Semi Annual 2008* attache report.

In Florida, only 978,000 tons of grapefruit are expected to be produced this season, the smallest crop since the hurricane-damaged crops in 2004/05 and 2005/06. If realized, this would be the smallest crop since 1944/45, the two hurricane years excluded. Colored grapefruit—those with pink or red flesh—account for 70 percent of the crop, with the remainder being white flesh varieties. The number of grapefruit trees in Florida has been declining since the 1990s. There has been a rapid decline in the number of white grapefruit trees since the late 1990s as demand, especially in the domestic market has fallen. The number of colored variety trees began declining in mid-1990, in response to reduced demand for both fresh grapefruit and grapefruit juice. This season, the number of fruit per tree for white and colored grapefruit is below average, contributing to the lower number of 85-lb boxes expected to be produced.

NASS forecasts Texas' grapefruit crop to be 13 percent down from last season to 212,000 tons. Texas' production accounts for about 15 percent of the total U.S. crop. Some industry sources estimate that as much as 20 percent of the State's fruit were lost due to heavy winds from Hurricane Dolly which crossed the State after stalling over parts of the citrus region on July 24. As the fruit have matured, they have been reported to be of good size and quality, attributes beneficial for strengthening grower prices.

Demand for the tighter supplies of grapefruit is likely to be strong this season in both the domestic and international markets. The quantity of grapefruit for fresh use is already ahead of last season as of the first week of November, according to Florida's Citrus Administrative Committee. Shipping began about the third week in October, about two weeks before the previous two seasons for white grapefruit, but about the same time as last season for the red and pink grapefruit. Shipments to domestic and export markets are reported to be ahead of last season but exports are behind the 2006/07 season. Export sales have become increasingly important to Florida's grapefruit industry, since U.S. demand has become sluggish.

The smaller crop and expected strong demand this season should boost grapefruit grower prices. As the season progresses and the fruit sweeten, demand for fresh grapefruit is likely to strengthen. The demand for grapefruit by processors does not get fully underway for several months. While juice stocks at the beginning of this season are high, demand for grapefruit juice has been on an upswing the past two seasons and demand from processors is likely to be strong, competing with fresh market demands for the reduced crop.

Lemon Production Forecast Up in 2008/09, Likely Moderating Grower Prices

Lemon production is forecast to reach 817,000 tons in 2008/09, 16 percent higher than last season and 2 percent higher than in 2006/07 (table 7). A freeze occurring in January 2007 not only reduced the crop size in 2006/07 but also damaged lemon trees enough to have an adverse effect on production in 2007/08. Now that the trees appear to have recovered from the freeze, bigger crops are expected from both California, which accounts for almost 90 percent of the total production, and Arizona, which produces the remainder. A bigger crop is likely to reduce prices received by growers below the previous two seasons but average slightly above the

Table 6--Grapefruit: Utilized production, 2005/06-2007/08 and indicated 2008/09 1/

Crop and State	Utilized 2005/06	Utilized 2006/07	Utilized 2007/08	Forecast for 2008/09 as of 10-2008	Utilized 2005/06	Utilized 2006/07	Utilized 2007/08	Forecast for 2008/09 as of 10-2008
	--1,000 boxes 2/--				*--1,000 short tons--*			
Florida, all	19,300	27,200	26,600	23000	820	1,156	1,131	978
Colored	12,800	17,900	17,600	16000	544	761	748	680
White	6,500	9,300	9,000	7000	276	395	383	298
Arizona	100	100	100	150	3	3	3	5
California	6,000	5,500	5,700	5500	201	184	191	184
Texas	5,200	7,100	6,100	5300	208	284	244	212
Total	30,600	39,900	38,500	33,950	1,232	1,627	1,569	1,379

1/ The crop year begins with bloom of the first year shown and ends with completion of harvest the following year.
2/ Net pounds per box: California and Arizona-67, Florida-85, and Texas-80.
Source: USDA, National Agricultural Statistics Service, *Crop Production Report.*

Table 7--Lemons: Utilized production, 2005/06-2007/08 and forecast for 2008/09 1/

State	Utilized 2005/06	Utilized 2006/07	Utilized 2007/08	Forecast for 2008/09 as of 10-2008	Utilized 2005/06	Utilized 2006/07	Utilized 2007/08	Forecast for 2008/09 as of 10-2008
	---1,000 (76-lb) boxes---				*---1,000 short tons---*			
Arizona	3,800	2,500	1,500	2500	144	95	57	95
California	22,000	18,500	17,000	19000	836	703	646	722
Total	25,800	21,000	18,500	21,500	980	798	703	817

1/ The crop year begins with bloom of the first year shown and ends with completion of harvest the following year.
Source: USDA, National Agricultural Statistics Service, *Crop Production Report.*

remainder of the 2000s. Although this season's crop is bigger than the previous two seasons, the 2008/09 crop is still on the smaller size relative to the average production for the 2000s (excluding 2006/07 and 2007/08).

Unusually high temperatures in June 2008 and again during the first half of August resulted in Arizona lemons sizing smaller than average and delayed the beginning of this season's harvest. Rains and cooler weather followed and helped increase fruit size, and harvesting got underway in late September. California's harvest began in its coastal regions in August and began in its desert region in September. The desert region is where most of the freeze damage had occurred in 2007.

Grower prices have been averaging $20.28 per 76-lb box from August-October 2008, compared with an average of $34.86 per box in 2007/08 and $25.04 in 2006/07. Although prices have averaged considerably lower than the past two seasons for the first three months of 2008/09, they averaged 47 percent higher than the first six seasons of the 2000s. With harvesting fully underway in Arizona and California, supplies will increase and grower prices will seasonally decline, barring any weather related incidences that would interfere with shipments.

U.S. Tangerine Production Down in 2008/09 Despite Record Crop in California

Tangerine production for 2008/09 is forecast to total 480,000 tons, 2 percent below last season, but 33 percent above 2006/07 (table 8). Production in Florida, traditionally the Nation's biggest producer, is forecast to decline 11 percent to 233,000 tons. California's production, however, which has been growing rapidly as

Table 8--Other citrus: Utilized production, 2005/06-2007/08 and forecast for 2008/09 1/

Crop and State	Utilized			Forecast for 2008/09 as of 10-2008	Utilized			Forecast for 2008/09 as of 10-2008
	2005/06	2006/07	2007/08		2005/06	2006/07	2007/08	
	1,000 boxes 2/				*1,000 short tons*			
Tangelos:								
Florida	1,400	1,250	1,500	1,500	63	56	68	68
Tangerines:								
Arizona	550	300	400	300	21	11	15	11
California	3,600	3,500	5,700	6,300	135	131	214	236
Florida	5,500	4,600	5,500	4,900	261	219	261	233
Total	9,650	8,400	11,600	11,500	417	361	490	480

1/ The crop year begins with bloom of the first year shown and ends with completion of harvest the following year.

2/ Net pound per box: tangerines--California and Arizona--75; Florida--95; tangelos--90; Temples--90.

Source: USDA, National Agricultural Statistics Service, *Crop Production Report*.

bearing acreage continues to increase, is forecast to reach 236,000 tons, 10 percent higher than last season and surpassing Florida's production for the first time.

Tangerine varieties differ in the two States. Florida's production consists mostly of Sunburst and Fallglo for its early-season varieties, and Honey tangerines for the later variety. California varieties mostly consist of mandarins, such as W. Murcott Afourer and satsuma, and numerous clementine varieties.

In Florida, production of Fallglos and Sunbursts are forecast to increase this season due to higher than usual numbers of fruit per tree. Bearing acreage has been declining for both varieties, however the remaining trees are mature, and barring weather-related disruptions, are able to keep production steady. The Honey tangerine crop is forecast to be down 31 percent this season from last and about the same size as during the hurricane-affected seasons. Much of the decline is attributed to a reduced number of fruit per tree.

In California over the past several years, growers have been planting more acreage to various tangerine varieties as they shift production away from less profitable citrus fruit. Like the lemon trees in California, the tangerine trees were damaged by the 2007 freeze, affecting crop size. This season, the damaged trees have shown signs of recovering with an increase in the number of fruit per tree. This, along with new acreage coming into production, account for the record high crop forecast for the season.

Tangerine season is from October 1 through May 1 for Florida and November 1 to May 15 for California. With the new-season crop just getting underway in Florida, rower prices for its fresh tangerines averaged $7.65 per 95-lb box (equivalent on-tree) in October, considerably below the October average for the past three seasons, when prices ranged from $16.00 per box in 2007 to $18.10 per box in 2005. The bigger early variety orange crop is likely to have been a major factor in the lower price, especially since the fruit sizes were reported to be above average for the Fallglo, usually a positive factor on prices. Prices are likely to continue low as the season progresses and the large tangerine supplies out of California enter the market. The price effect of the bigger California crop on Florida's smaller Honey tangerine crop this season is uncertain. California's tangerines have not previously had a strong presence in Florida's traditional East Coast markets. With the bigger

crop this season, however, there may be more California tangerine, along with Spanish clementines competing with the Honey tangerines in these markets. The ability of Honey tangerine grower prices to stay strong may depend on the consumers in these markets showing a preference for this variety over the others. Florida tangerine producers have already been competing with clementine imports for many years and have seen the shift in consumer preference to the clementines. The real competition at this point may be between the imported clementines and California's clementines. The larger supply of clementines from all sources is likely to put downward pressure on California tangerine grower prices as well as overall tangerine retail prices.

Spring Freeze Reduces California's Kiwifruit Production for 2008/09

After two years of declining production, California's 2008/09 kiwifruit crop appeared to be headed for a rebound with crop size initially anticipated at around 8.0 million (7-pound) trays or 56 million pounds, based on estimates from the California Kiwifruit Commission (CKC). A severe freeze in mid-April, however, damaged many kiwi vineyards during bloom. Blossoming was abnormally early this year exposing more blooms to the freeze. Kiwi fields that were affected exhibited varying degrees of crop loss, with some fields indicating between 5 to 10 percent freeze damage, while others were more adversely affected. Post freeze preliminary indications, from CKC, put production for the 2008/09 marketing season (October-September) at around 5.5 to 6.0 million 7-pound trays, or about 39-42 million pounds. This is 15 to 20 percent below the NASS estimate for 2007/08, set at 49 million pounds. If realized, this will be the smallest California kiwifruit crop since 1984/85. NASS will release its first estimate for the 2008/09 California kiwifruit crop in January 2009.

Harvest was a bit late this year, starting in early October rather than the normal schedule that begins around late September. Many growers, however, are anticipating their harvest to run well into November. California had an estimated 4,000 acres of productive kiwifruit vineyards in 2007/08, unchanged from the previous season but 500 fewer acres than in 2005/06, according to NASS data. Because of fewer bearing acres and lower average yields, production has declined over the past two marketing seasons from over 70 million pounds in 2005/06 to 52 million pounds in 2006/07 and 47 million pounds in 2007/08, with over 90 percent marketed for fresh use. With the lower production during the past two marketing seasons, prices received by growers rose to the highest levels since the 1990s, at over $900 per ton. Overall crop value in 2006/07 and 2007/08 ranged between $22 million to $24 million, higher than any marketing season except 1986/87 and 1998/99. With the expected small crop this year, grower prices in 2008/09 are likely to hold close to or even rise above the $950 per ton average last season. Cumulative early 2008/09 shipments of California kiwifruit were running 49 percent below the previous season through the first week of November, driving f.o.b. kiwifruit prices higher than the same time a year ago. The fruit in the larger size range were priced about $4 to $5 higher per 9 kilogram container loose of Hayward variety (U.S. one) while smaller fruit were $2-$3 higher.

Close to 40 percent of the California kiwifruit crop is exported, leaving the rest for domestic consumption. Over the past three marketing seasons (2005/06-2007/08), total kiwifruit consumption for fresh use in the United States averaged 135 million

pounds (table 9). On a per capita basis, this consumption averaged an estimated 0.45 pounds per person annually. Although more than half of California's production moves through domestic channels, about 80 percent of domestic availability comes from foreign sources, mainly from Chile and New Zealand. Imports from these two major suppliers are counter seasonal to domestic production. Imports from another important supplier—Italy—on the other hand compete with domestic production, particularly in East Coast markets. Despite reduced production in 2007/08, imports (October-September) totaled 105.4 million pounds, down 7 percent from the same period the previous season. There were marked declines from the major supplying countries, except from New Zealand where record production and exports drove shipment volumes to the United States up 16 percent. Imports from Chile— supplying the largest volumes to the United States for past several years until 2006/07—fell mainly due to a frost-reduced crop and quality problems. U.S. kiwifruit exports in 2007/08 totaled 16.6 million pounds, and were valued at $13.8 million, 10 percent less than in 2006/07. Despite the weak U.S. dollar, export volume was lower than the previous two seasons as reduced domestic production limited availability. U.S. exports fell to major markets—Mexico, South Korea, and Japan, more than offsetting a fairly large increase in exports to Canada, the leading export market for U.S. kiwifruit. The potential to increase exports during the current season (2008/09) likely will be hampered by yet another smaller crop in California this year and the present global economic crisis likely will impact demand in major export markets.

2008/09 California Avocado Crop Likely To Be Small

Avocado production in California has fluctuated almost year-to-year over the last 8 years, with crop size ranging from as low as 151,000 tons in 2004/05 to a high of 300,000 tons in 2005/06—a historical record high. Swings in avocado production often reflect the effects of natural forces on crop yields and the avocado trees' alternate-bearing tendency. The biological tendency to yield high in one season and low the following season, however, has become less pronounced in some years as natural forces such as freezes, high winds, drought, and the like, altered expected yields, sometimes reversing the trend for a particular season. In 2007/08, the crop

Table 9--Fresh kiwifruit: Supply and utilization, 1990/91 to date

	Supply			Utilization		
					Consumption	
Year 1/	Production	Imports	Total supply	Exports	Total	Per capita
			-- Million pounds --			*Pounds*
1990/91	68.0	69.0	137.0	17.0	120.1	0.48
1991/92	53.6	44.5	98.1	16.5	81.6	0.32
1992/93	95.4	54.7	150.1	18.4	131.6	0.51
1993/94	89.2	64.7	153.9	19.3	134.6	0.52
1994/95	75.0	80.6	155.6	21.0	134.6	0.51
1995/96	65.0	82.2	147.2	11.7	135.5	0.51
1996/97	52.2	83.1	135.3	12.0	123.3	0.46
1997/98	62.6	92.6	155.2	12.5	142.6	0.52
1998/99	64.0	97.8	161.8	15.7	146.2	0.53
1999/2000	46.2	110.1	156.3	12.1	144.2	0.52
2000/01	57.0	114.7	171.7	12.4	159.3	0.56
2001/02	44.4	93.6	138.0	12.0	126.0	0.44
2002/03	44.6	78.1	122.7	14.0	108.8	0.38
2003/04	44.0	83.3	127.3	16.9	110.4	0.38
2004/05	45.0	89.9	134.9	15.5	119.4	0.41
2005/06	68.4	87.8	156.2	24.0	132.2	0.45
2006/07	46.8	112.9	159.7	19.4	140.3	0.47
2007/08	43.4	105.4	148.8	16.6	132.2	0.44

1/ Marketing year begins in October of the first year.

Source: USDA, Economic Research Service calculations.

was on an "on-year" cycle and even though some groves encountered crop losses from the Santa Ana winds and wild fires, California's avocado production still increased 30 percent above the freeze-reduced crop in 2006/07 to 171,000 tons. Relative to most of the last seven seasons, however, 2007/08 production was low. For the 2008/09 season, early indications from the California Avocado Commission (CAC) are that the crop will be about 36 percent smaller than in 2007/08. If realized, production is projected to be about 109,000 tons, the smallest crop since the 105,000 tons produced in 1989/90.

Although the 2008/09 season happens to fall on an "off-year cycle" for the California avocado crop, the decline in production is mainly attributed to the relatively dry rainy season this year and a heat spell striking just when the orchards were in bloom. Temperatures hovered over 95 and 100 degrees Fahrenheit in May and June, damaging the crop set. The impact of the heat spell was further aggravated by water shortage problems across all the avocado growing districts, mostly as a result of recent court rulings intended to protect an endangered fish in the Sacramento River Delta. The court decisions have led to serious limitations on water use throughout California. For the California avocado industry, this translated to a 60-percent industry cutback in water delivery from the Delta, according to CAC. Avocado bearing acreage in California has been expanding over the last 8 years with now over 65,000 acres. California produces about 90 percent of the U.S. avocado crop.

Average grower prices for California avocados have almost consistently moved inversely with production over the past several years. With the growing domestic demand for avocados, a relatively small California avocado crop this year, therefore, will likely drive up avocado prices in 2008/09, especially when shipments get fully underway beginning in the spring. Over the past three seasons (2005/06-

Table 10--Fresh avocados: Supply and utilization, 1980/81 to date

Season 1/	Supply			Utilization		
					Consumption	
	Utilized production	Imports 2/	Total supply	Exports 2/	Total	Per capita
			-- Million pounds --			*Pounds*
1990/91	328.6	37.6	366.2	10.1	356.1	1.41
1991/92	326.4	53.2	379.6	13.8	365.8	1.43
1992/93	576.8	18.1	594.9	33.7	561.2	2.16
1993/94	318.0	52.8	370.8	21.3	349.5	1.33
1994/95	348.0	41.0	389.0	28.9	360.1	1.35
1995/96	389.0	56.0	445.0	20.6	424.5	1.58
1996/97	382.0	58.8	440.8	9.2	431.6	1.58
1997/98	354.0	133.7	487.7	10.3	477.4	1.73
1998/99	316.6	121.7	438.3	13.9	424.4	1.52
1999/00	374.6	173.3	548.0	5.5	542.5	1.92
2000/01	472.6	162.1	634.7	3.9	630.8	2.21
2001/02	462.7	262.4	725.1	4.1	721.0	2.50
2002/03	370.8	311.1	681.9	2.7	679.2	2.33
2003/04	488.7	320.3	809.1	3.5	805.6	2.74
2004/05	326.8	582.5	909.3	2.9	906.3	3.06
2005/06	628.9	424.8	1,053.7	14.5	1,039.2	3.47
2006/07	319.8	769.1	1,088.9	4.9	1,084.1	3.59
2007/08 3/	385.2	665.9	1,051.1	12.9	1,038.2	3.40

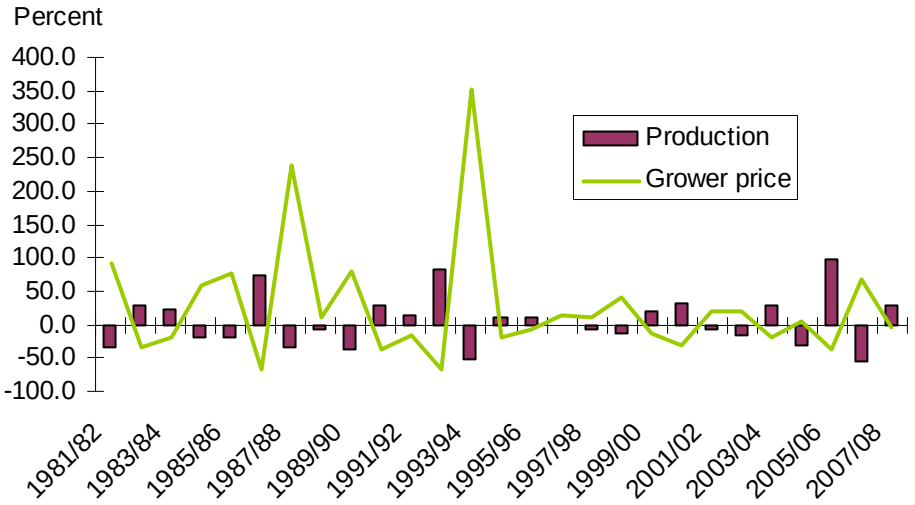
1/ Marketing season extends over 12 months, with California marketings running from November of the first year mentioned through November of the following year, and Florida marketings running from June of the second year mentioned through the following February.

2/ Imports and exports are on a calendar year. 3/ Preliminary.

Source: USDA, Economic Research Service calculations.

Figure 3

Changes in avocado production and grower price in California



Source: USDA, Economic Research Service calculations.

2007/08), avocado demand in the United States reached over 1.0 billion pounds annually or over 3.0 pounds per person each year (table 10). This is more than double domestic demand in the mid-1990s. A good range of fruit size is also boding well for prices this season. The expected lower yields indicate there are fewer fruit in the trees, providing more room for fruit to size. As to how much grower prices are to increase in 2008/09 remains to be seen but more than likely price gains will be more moderate and consistent with more recent seasons than in the past two decades. Since the mid-1990s, the volatility in avocado prices has been smaller than in the 1980s and early-1990s mainly due to the rapid growth in imports (fig. 3). In 1989/90, for instance, domestic production fell 36 percent, about the same magnitude as what is projected for this season, and average grower prices rose 81 percent from the previous season. In 2004/05, a production decline of 30 percent led to a 4-percent higher season-average price. In 1989/90, imports totaled about 30 million pounds and made up 11 percent of available supplies for domestic consumption. Since 2004/05, imported avocados have gained more than 60 percent of the avocado market share in the United States. The only exception was in 2005/06, when U.S. production reached an all-time high of 300,000 tons, which was substantially higher than the average production of the previous five seasons. Even then, imports accounted for 40 percent of the available supplies for domestic consumption. Imports set a record in 2006/07 at 769 million pounds.

California's marketing season over 12 months, from November through November the following year. The bulk of the harvest, however, occurs from March through August. Imported avocados are available in the market mostly from September through March. Because California plays such a dominant role in domestic avocado production, the projected sharply reduced crop in 2008/09 likely will spur demand for imported avocados this marketing season. Mexico and Chile are the top U.S. sources of imported avocados. Imports from both these countries are relatively smaller during the peak shipping months for California's production, although in recent seasons, Mexican imports have been increasingly overlapping with California's shipments. With increased market access in recent years, imports from Mexico have risen sharply from over 20 million pounds 10 years ago to nearly

500 million pounds in 2007, accounting for over 60 percent of total import volume in the United States. Industry sources have indicated that Mexico appears to have a sizable crop this year and would be able to meet domestic and export demand, especially in the United States, in 2008/09. Avocado production in Chile is still on an upward trend as many orchards are entering their most productive stage. Land dedicated to avocado production in Chile is still expanding, but increasing competition with Mexico in key export markets such as the United States is expected to slow down the country's planting expansion, according to FAS. In 2007/08, Chile's production suffered from freeze-related damage. In 2008/09, indications are for another reduced avocado crop in Chile because of drought conditions affecting much of the country's agricultural sector. Heavily geared towards the export market, a potentially smaller avocado crop in Chile will likely curtail export availability, providing more opportunities for Mexico to step in to fill supply gaps, especially in both countries' top export market—the United States.

Smaller Than Normal Prune Crop in California To Boost 2008/09 Grower Prices

Demand for prunes remains strong in 2008/09 as processors face a second consecutive season of tight supplies, boosting prune grower prices for this season. The NASS October forecast for the 2008 California prune crop remained unchanged from the initial forecast this past June of 120,000 tons, dried basis, up 45 percent from last year's small crop but still remaining short of a normal crop. If this forecast holds true, this year's production will be 21 percent smaller than the average production of 152,286 tons during 2000-2006 (including the small crops in 2004 and 2005). A frost in mid-April this year caused several growers to lose more than 25 percent of their crop. While the impact of the frost was widespread, the heaviest damages were in low-lying orchards, with some growers losing their entire crop. This year's crop potential was also affected by a period of very high temperatures in June, causing some heat damage and sunburn. Harvest this year fell behind normal schedule but the crop is reported to be of good quality and fruit of average size.

California has 65,000 prune bearing acres estimated for 2008, unchanged from the past two years, based on a survey of prune growers conducted in May by the NASS, California field office. Prior to this recent steady trend, both bearing and nonbearing acres have been declining since the mid-1990s, as relatively low grower prices in the late 1990s and early 2000s encouraged some growers to switch to other crops (table 11). During these low-price years, U.S. per capita demand for dried prunes was generally on a decline and exports, accounting for over one-third of overall domestic supplies, remained relatively flat (table 12). The bulk of California's prune production moves through the processing sector, primarily to manufacturers of dried prunes. Grower prices have since recovered partly as a result of the very small crops in 2004 and 2005. Grower prices averaged $1,500 per ton in 2004 and $1,470 in 2005, compared to prices that ranged from $726 to $883 per ton during 1996-2003. In light of the small production in 2007, the average grower price was $1,450 per ton, 4 percent higher than the previous year. The field price schedule for the 2008 prune crop, as announced by the Prune Bargaining Association (PBA), a voluntary grower association that negotiates prune prices for the industry, indicate higher prices than in 2007 across nearly all size count ranges for standard and substandard French prunes and non-French prunes. For example,

Table 11--Prunes (dried basis): Acreage, production, season-average grower price, and value, California, 1980 to date 1/

Year	Bearing acreage	Utilized production	Grower price	Value
	Acres	*Short tons*	*Dollars/ton*	*1,000 dollars*
1990	80,100	147,000	873.00	128,331
1991	80,200	187,000	940.00	175,780
1992	80,400	184,000	1,030.00	189,520
1993	83,000	121,000	1,120.00	135,520
1994	84,000	193,000	1,090.00	210,370
1995	83,500	181,000	1,040.00	188,240
1996	85,000	223,000	839.00	187,097
1997	82,000	205,000	883.00	181,015
1998	83,000	103,000	764.00	78,692
1999	83,000	165,000	861.00	142,065
2000	86,000	201,000	770.00	154,770
2001	86,000	135,000	726.00	98,010
2002	74,000	163,000	810.00	132,030
2003	72,000	168,000	772.00	129,696
2004	70,000	48,000	1,500.00	72,000
2005	67,000	94,000	1,470.00	138,180
2006	65,000	189,000	1,390.00	262,710
2007	65,000	81,000	1,450.00	117,450

1/ The drying ratio is approximately 3 pounds of fresh to 1 pound of dried fruit.
Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruits and Nuts Summary,* various issues.

Table 12--Dried prunes: Supply and utilization, dried basis, 1991/92 to date

	Supply				Utilization			
			Beginning			Ending	Consumption	
Year 1/	Production	Imports 2/	stocks 3/	Total supply	Exports 2/	stocks 3/	Total	Per capita
			-- Million pounds, processed weight --					*Pounds*
1991/92	316.4	1.8	67.9	386.1	155.3	69.1	161.7	0.63
1992/93	313.5	5.0	69.1	387.6	151.5	99.7	136.4	0.52
1993/94	187.7	7.3	99.7	294.7	129.3	52.1	113.3	0.43
1994/95	342.5	1.1	52.1	395.7	148.8	111.4	135.4	0.51
1995/96	309.5	0.6	111.4	421.5	142.4	144.9	134.2	0.50
1996/97	399.1	1.0	144.9	545.0	150.3	215.0	179.7	0.66
1997/98	370.1	0.4	215.0	585.5	160.8	281.6	143.1	0.52
1998/99	151.5	1.4	281.6	434.5	164.1	119.9	150.5	0.54
1999/2000	286.9	1.0	119.9	407.9	151.5	145.7	110.7	0.39
2000/01	363.2	1.0	145.7	509.9	162.5	216.7	130.7	0.46
2001/02	227.5	1.9	216.7	446.0	154.5	162.4	129.1	0.45
2002/03	289.1	1.6	162.4	453.1	134.3	165.2	153.7	0.53
2003/04	291.7	1.1	165.2	458.0	173.3	156.4	128.2	0.44
2004/05	76.7	19.1	156.4	252.2	92.8	54.0	105.5	0.36
2005/06	159.0	16.5	54.0	229.4	85.8	39.5	104.1	0.35
2006/07	351.7	3.4	39.5	394.6	136.1	169.2	89.3	0.30
2007/08	116.9	1.6	169.2	287.8	133.0	63.3	91.6	0.30

1/ Marketing year begins in August of the first year.
2/ Import data from the U.S. Department of Commerce, U.S. Census Bureau; export data from the Prune Marketing Committee. 3/ Stock data from the Prune Marketing Committee.
Source: USDA, Economic Research Service calculations.

the PBA 2008 field price schedule reflects a $200 increase for standard French prunes of typical A and B screen sizes and a $50 increase for substandard, 61 to 81 size count, French prunes. Most of California's prune acreage is of the French prune variety.

Meeting domestic and export demand for dried prunes will be challenging in 2008/09. Aside from the current small crop, tight supplies last season have drawn down processor inventories. As a result, carryover inventories for 2008/09 (August-July) are at below-average levels, totaling 63 million pounds, dried basis. Most previous seasons since 1995/96 had carryover inventories of over 100 million pounds. U.S. dried prune imports are coming in strong so far this season, with volume (half from Chile) increasing 75 percent during the first two months of this season over last. Imports, however, only represent a small share of the U.S. market for dried prunes. Exports, on the other hand, are falling behind in some of the key

markets such as Germany, the United Kingdom, and Canada, driving 2008/09 total export shipments down 11 percent thus far.

Ample Supplies Likely for Dates and Figs in 2008/09

NASS will release its first estimate for the 2008 California date and fig crops on January 2009, in the report *Noncitrus Fruit and Tree Nuts 2008 Preliminary Summary*. Industry sources, however, have indicated that this year's date and fig crops in California progressed well and will be able to provide ample supplies to meet year-end holiday demand. Dates and figs have traditionally been popular food items incorporated in holiday-season menus. Most dates and figs are dried, resulting in year-round availability to final consumers. Dates and figs double as a nutritious snack alternative and ingredient in many baked products. Over the past five marketing years, U.S. demand for dried dates averaged 41 million pounds and for dried figs 32 million pounds, processed weight, annually. Over 60 percent of the estimated total consumption for dried dates and figs comes from domestic production.

According to the California Date Administrative Committee (DAC), the 2008 crop is in its on-year in its alternate-bearing cycle therefore production is expected to be up this year. DAC's initial expectations are that the crop will be up 20 percent from a year ago. Based on NASS's crop estimate for 2007, this year's crop will likely reach about 20,000 tons, higher than the last five years. The quality of this year's crop is very favorable despite reports that some of the growers experienced freeze-related crop damage during the spring. In general, however, the weather did not present any major problems during the growing season. Harvesting got underway in early September for the Medjool variety and was expected to continue through November. Crop maturity was delayed for the major variety—Deglet Noor—pushing the harvest a couple of weeks later than usual. Date harvesting typically continues through the winter months as other, minor varieties come in season.

While the good quality of this year's crop will provide a boost to grower date prices, the expected big crop likely will have a bigger impact, putting downward pressure on 2008/09 prices. Grower prices for California dates averaged a record high in 2007/08, at $2,290 per ton, mostly due to a relatively small domestic crop last year and strong international demand. In addition, domestic supplies were further curtailed by significantly lower imports, especially from some of the leading foreign suppliers to the United States—Pakistan, Israel, China, Iran. The domestic crop (virtually all from California) declined to 16,300 tons in 2007/08, the smallest crop since the early 1990s. Despite the small crop, export volume rose 6 percent with a value at an all-time high of $18.9 million. Although remaining a minor player in the world exports of dates, demand for dates early into the 2008/09 marketing season (September-August) remains strong, with September volume up 5 percent from the same time the previous season. The increase in exports thus far reflects mostly large export gains to Canada, the Netherlands, Sweden, and New Zealand. Imports continue to be lower, with volume in September down by 52 percent. While imports from Pakistan, the United States' top supplier of imported dates, appear to be on a rebound this season, lower shipments from Tunisia and Mexico, also major foreign suppliers, are down sharply.

The crop size for this season's California figs is expected to be similar-sized to last year, according to the California Fig Advisory Board. The NASS California fig crop estimate for 2007 was 51,600 tons, 3-percent bigger than the previous 5-year average crop size. Eighty four percent of the 2007 crop went for processing use. Processed fig products include mostly dried figs and paste. Estimates from the Economic Research Service put U.S. dried fig consumption at an average 0.11 pounds per person annually over the last 5 marketing years, only about 8 percent of the average per capita consumption for raisins, the No. 1 dried fruit consumed in the United States. Average per capita dried fig consumption in the United States has declined slightly from the mid-1990s while there has been noticeable growth in fig exports, with an increasing share of domestic production being marketed internationally. Major international markets to which U.S. figs are sold include Canada, Mexico, and Japan, with Canada taking in more than half the total volume. Exports are starting off strong for the 2008/09 marketing season (August-July). Volume shipped to foreign markets during the first two months of the season was up 20 percent, increasing to the three top markets as well as to the United Kingdom, China, and Hong Kong.

Demand for fresh figs has been growing in recent years and with fairly strong fresh-market grower prices, more and more growers have responded by diversifying their fig production to include the fresh market. Production for fresh use has increased in share of the total crop, from less than 5 percent during the 1990s to 16 percent during the past two seasons (2006/07 and 2007/08).

Tight Pecan Supplies for the 2008/09 Season Should Boost Grower Prices

Pecan trees are alternate bearing and result in very cyclical crop sizes. This year is an off-year cycle and production is expected to be down. NASS estimates that 204.1 million pounds of pecans will be produced in 2008, 47 percent lower than in 2007, but just 2 percent lower than the last "off-cycle" in 2006. While production decreased for all varieties, it decreased the most for the native and seedling variety. The quantity of improved-variety pecans while down 43 percent from last year's crop, if realized, will be 13 percent higher than 2006. This year, nuts from improved variety trees will account for about 84 percent of the crop, up from an average of 76 percent the previous 2 years.

Pecan grower prices this season should reflect the smaller crop, therefore, it should be higher than last season. Dampening an increase in price, however, is the relatively large supply of improved-variety pecans for an off-year and large stocks coming into the new season. Another factor influencing grower prices is the quantity of pecans imported from Mexico.

The 2008/09 season appears to be starting off slowly. Data from the Agricultural Marketing Service show that deliveries by growers in Georgia, the No. 1 pecan producer in the United States, have been light through mid-November. Harvesting was interrupted at times due to unfavorable weather conditions. Some growers are reported to be storing their pecans waiting for demand and therefore price to improve. Others are waiting for the leaves to fall off the tree so they can do a single harvest, saving money on labor. In Texas, some growers were waiting for the first freeze, which occurred around mid-November, to harvest their orchards. Freezing

temperatures increase shuck split and nut drop, as well as lowers the moisture content of the nuts, a desirable factor. Demand by commercial shellers was reported to be light as they finish using up their inventories.

Walnut Supply and Utilization Table Correction

ERS is making a correction to the walnut supply and utilization table E-18 of its *Fruit and Tree Nuts Outlook Yearbook 2008* published in October. The 2007/08 export data have been revised in accordance with new data from the U.S. Department of Commerce, U.S. Census Bureau. With the revised data, per capita walnut consumption increases to 0.48 pounds for 2007/08, 9 percent less than in 2006/07 but 15 percent more than in 2005/06 (table 13).

Table 13--Walnuts: Supply and utilization (shelled basis), 1995/96 to date 1/

Season 2/	Utilized production	Loss and exempt 3/	Marketable production	Imports	Beginning stocks	Total supply	Ending stocks	Exports	Domestic consumption	
									Total	Per capita
					1,000 pounds					*Pounds*
1995/96	197,786	845	196,940	2,308	56,940	256,188	55,269	98,276	102,643	0.38
1996/97	170,444	819	169,625	5,815	55,269	230,709	40,346	102,723	87,639	0.32
1997/98	221,365	823	220,542	284	40,346	261,172	67,609	94,125	99,437	0.36
1998/99	187,862	828	187,034	156	67,609	254,800	59,448	90,920	104,431	0.38
1999/2000	237,884	841	237,043	181	59,448	296,673	63,393	91,279	142,002	0.51
2000/01	204,857	857	204,000	371	63,393	267,763	46,218	97,083	124,462	0.44
2001/02	257,556	844	256,711	203	46,218	303,132	80,004	103,420	119,708	0.42
2002/03	243,963	865	243,098	195	80,004	323,296	73,419	113,966	135,911	0.47
2003/04	279,429	857	278,571	372	73,419	352,363	82,145	124,904	145,313	0.50
2004/05	282,360	869	281,491	638	82,151	364,280	69,994	136,941	157,346	0.53
2005/06	315,989	890	315,099	1,133	69,994	386,225	54,507	205,946	125,772	0.42
2006/07	296,931	858	296,073	1,953	54,507	352,533	34,658	157,656	160,220	0.53
2007/08 4/	277,500	854	276,646	9,021	34,658	320,325	28,732	144,369	147,223	0.48

1/ Conversion factors from in-shell to shelled basis varies year to year for production, stocks, and exports, and were 0.41 in 1996/97, 1997/98, and 1998/99, 0.42 in 1999/2000, 0.43 in 2000/01 0.42 in 2001/02, and 0.43 in 2002/03, 2003/04, and 2004/05, 0.45 in 2005/06, and 0.43 in 2006/07 and 2007/08. For imports, the conversion factor was a constant 0.35. 2/ Season begins in August. 3/ Inedibles and noncommercial usage.

4/ Preliminary estimates.

Source: USDA, Economic Research Service calculations.

Wine Grapes and Wine Outlook

California Continues To Lead Domestic Production In 2007

Wine is a high-value finished agricultural product, made primarily from crushed grapes, although a small portion is produced from apple, pear, and berries. In 2007, the domestic grape crop crushed for wine had an estimated farm value of $2.1 billion, with California, the primary grower and bottler, accounting for 89 percent of production value. In terms of volume, California produced 94 percent of grapes crushed for wine, and bottled 86 percent of domestically produced wine in 2007.

Grapes Used for Making Wine Forecast Up In 2008/09

Nearly 64 percent of processed grapes in the United States are crushed for wine. Total grape production is forecast up 3 percent from last year at 14.4 billion pounds. ERS estimates that 8.0 billion pounds of grapes, including wine, table and raisin-type grape varieties will be used for wine making in 2008/09, 3 percent more than 2007/08 (table 14). Total domestic consumption is expected to decline 1 percent from 2007/08 resulting in per capita consumption forecast at 3.42 gallons in 2008/09 compared to 3.45 gallons in 2007/08.

The NASS annual production survey reported that 7.8 billion pounds of grapes were used for wine-making in 2007/08, up 5 percent from 2006/07. Grapes utilized for wine production increased in 2007 in all reported States except Pennsylvania, and the Southern States: North Carolina, Virginia, Missouri, and Georgia, where grape vines were damaged from an early-April freeze. California's production increased to 3.7 million short tons in 2007, up 5 percent from the previous year. Although domestic production volume increased from the prior year, production value increased only 2 percent due to a slight decline in grower prices in 2007/08. Grower prices fell to $547 per short ton, down 3 percent from the previous year. The drop in grower prices resulted mostly from lower grower prices in California. Prices rose an average of 6 percent for all other States.

Table 14-- Grapes utilized for making wine: 1996/97-2007/08 and predicted 2008/09 1/

Marketing	Utilized			Consumption 2/		
Season	Production	Imports	Exports	Total	Per capita	Per capita
	---------- Million pounds ----------				Pounds	Gallons 3/
1996/97	6,085.7	1,129.5	526.6	6,688.6	35.66	2.85
1997/98	8,068.8	1,444.2	670.9	8,842.1	46.60	3.73
1998/99	6,629.5	1,304.5	831.3	7,102.7	36.96	2.96
1999/00	6,700.8	1,318.3	881.0	7,138.2	36.75	2.94
2000/01	8,259.3	1,452.9	889.7	8,822.5	44.76	3.58
2001/02	7,136.4	1,547.8	929.6	7,754.6	38.95	3.12
2002/03	7,997.9	1,803.3	874.8	8,926.4	44.23	3.54
2003/04	7,162.8	1,987.8	1,060.4	8,090.3	39.58	3.17
2004/05	7,636.3	2,097.5	1,266.1	8,467.7	40.93	3.27
2005/06	9,101.6	2,328.7	1,138.8	10,291.6	49.17	3.93
2006/07	7,450.2	2,550.1	1,222.4	8,777.9	41.45	3.32
2007/08	7,838.5	2,764.1	1,347.9	9,254.6	43.18	3.45
2008/09p	8,048.6	2,618.6	1,392.9	9,274.3	42.79	3.42

p=predicted 1/ Includes wine made from fresh grapes only.

2/ Includes per capita consumption for ages 21 years and over

3/ Includes processed wine counsumption. Assume 12.5 pounds of grapes from one gallon of wine.

Source: USDA, Economic Research Service calculations.

Table 15-- Still and effervescent wine: Total bulk production and quantity bottled 2004-07

Type	Bulk wine production				Quantity bottled			
	2004	2005	2006	2007	2004	2005	2006	2007
	Million Gallons							
Still Wine 1/	609.3	717.2	624.9	637.7	529.2	513.0	525.9	552.0
Effervescent 2/	22.4	19.3	21.9	23.4	21.4	19.6	21.4	21.2

1/ Includes wine removed from fermenters. Excludes wine for brandy production.
2/ Includes artificially carbonated wine, sparkling wine and other special naturally carbonated wines.
Source: U.S. Department of Treasury, Alcohol and Tobacco Tax and Trade Bureau.

Bulk and Bottled Wine Production Up In 2007

Wine demand in the United States is mainly met by domestically produced supply. According to the Alcohol and Tobacco Tax and Trade Bureau, bulk still wine production reached 638 million gallons in 2007, up 2 percent from 2006, while the quantity bottled reached 552 million gallons, up 5 percent from the previous year (table 15). In 2007, bulk effervescent wine production, including carbonated and sparkling wine, reached 23.4 million gallons, the highest level since 1999.

For still-type wines, bulk production in California increased to 566 million gallons, while the quantity bottled increased to 473 million gallons, up 5 percent in 2007. Although production increased, California's 89 percent share of bulk production remained unchanged from the previous year. The Pacific Northwest region, including Washington and Oregon, bottled 5 percent more wine in 2007 than in 2006. Although the Midwest region accounts for only 1 percent of domestic bulk wine production, production increased 39 percent in 2007, primarily in the larger production States in the region—Ohio and Missouri.

The Number of Wineries Increases in 2008

All States were producing wine in 2008. The number of licensed wineries increased in every State and the total number of wineries in the United States grew 19 percent from the previous year. States with winery growth of over 10 percent occurred in the top production States—California, Washington, New York and Oregon. Although 90 percent of bulk wine volume was produced in California in 2007, only 44 percent of all U.S. wineries were located within the State in 2008. In California, the number of wineries increased 20 percent to 2,440 producers in 2008 from 2,025 producers in 2007. Additionally, Washington's industry grew to 538 wineries in 2008, up from 451 the previous year. In 2008, both the South and Northeast regions had 19 percent more wineries than in 2007, increasing to 666 and 319 wineries, respectively.

Wine Exports Higher in January Through September 2008

Wine export reached a record-high value of $863 million in 2007. Exports from January through September 2008 were up 10 percent in volume and 8 percent in value over the same period in 2007. ERS estimates that wine exports will reach 118 million gallons in 2008, 10 percent more than 2007 and 21 percent more than 2006. According to FAS' *Wine: World Markets and Trade Report 2008*, export promotion, increased supplies, and a weaker dollar helped increase export volume during the first three quarters of the year. Major markets include the United Kingdom, Italy, Canada, Japan and Germany. The largest volume increases in 2008 were to France (66 percent), Belgium (93 percent), and Hong Kong (163 percent). According to FAS, the 2008 Olympic Games and the abolishment of a 40-percent

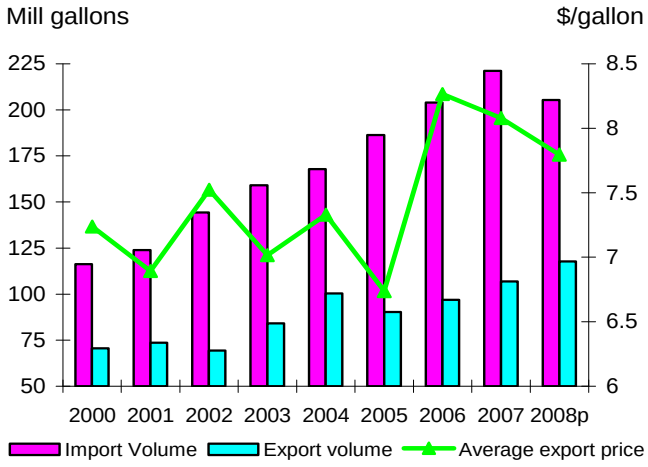
excise tax on wine in Hong Kong, led to the dramatic increase in exports of wine to Hong Kong and China.

Wine Imports Forecast Lower in 2008

On average, 25 percent of domestic bottled still wine supplies and 64 percent of domestic bottled effervescent wine supplies were imported over the past five years. So far this year, in terms of volume, Italy and Australia were the main foreign suppliers of still wine, and France and Italy were the main suppliers of effervescent wines. ERS estimates that total wine imports are likely to reach 209 million gallons in 2008, down 5 percent from 2007 (fig. 4). For January through September 2008, red and white wine imports accounted for 44 percent and 34 percent of total wine imports, respectively. Red wine imports decreased 15 percent from Australia and 10 percent from both Italy and France from the same period in 2007. White wine imports fell in the first three quarters due partly to a 5 percent drop in shipments from Italy, the main foreign supplier of white wine varieties. An increase in the import unit price this January through September 2008 by 22 percent, contributed to a decline in white wine imports from France.

The import value outweighed the export value by $2.6 billion through September 2008, the largest gap since ERS began tracking these data. Import values so far this year, were up for still wine varieties, but fell 7 percent for effervescent varieties, from the same period in 2007 (table 16). Wine shipped from Italy and France, the top suppliers of foreign wine in terms of value, together accounted for 59 percent of imported red wine value and 56 percent of imported white wine value in January through September 2008. Higher values from Italy and France resulted from 32 and 19 percent increases in average import unit prices for red and white wine, respectively, from the same period in 2007.

Figure 4
U.S. wine imports, exports and export price



P= projections.
Source: U.S. Dept. of Commerce, U.S. Census Bureau.

Table 16--Wine: U.S. trade, by type, Jan.- Sept. 2006-2008

Item	2007 Annual	January- September 2006	January- September 2007	January- September 2008	Change 2007-08
	Million dollars				*Percent*
Exports					
Table wine 1/	837.0	584.2	633.5	689.3	9
Evervescent 2/	26.1	10.1	18.0	18.4	2
Imports					
White wine	1,345.6	885.2	1,004.9	1,019.2	1
Red wine	2,085.3	1,365.6	1,503.9	1,565.5	4
Other wine 3/	426.5	223.3	298.1	340.5	14
Evervescent 2/	707.2	398.2	431.8	403.6	(7)

1/ Includes fermented wine. 2/ Includes sparkling wine. 3/ Includes fermented wine not classified as red or white.

Source: U.S. Dept. of Commerce, U.S. Census Bureau.

Lemon, Almond, and Grapefruit Exports Start off New Season Strong

During the first 2 months of their new crop season, exports are up for fresh lemons and almonds (table 17). Both the lemon and almond crops are bigger in 2008/09, with a record big almond crop, boosting supplies available for exports. Strong demand for U.S. fresh lemons from all its major markets—Canada, Japan, South Korea, Hong Kong, and China—drove shipments up for the first two months (August-September) of the new season. Shipments to Canada, the No. 1 export market for U.S. lemons, increased 88 percent and were the highest during this period since 1996. Shipments to Hong Kong increased more than 3 fold over last August-September, and those to China were the second highest for the period since it began allowing the imports of U.S. lemons in 2000.

Inshell almond shipments were up 57 percent for the first 2 months of the new season (August-September) over the same time last season. Shipments to India, the No. 1 market for U.S. inshell almonds increased 23 percent during this period. The increase in shipments was even strong to the No. 2 and No. 3 markets—Hong Kong and Turkey—with growth during these early months up nearly 4 fold. Among the major markets, only the Netherlands received a smaller quantity of inshell almonds so far this season over last season.

Shipments of shelled almond were also up during these early months of the new marketing season, but the increase was not as strong as for the inshell almonds. Increasing only 7 percent the first two months of the 2008/09 season over last season, shipments were up to Spain and Germany, the two biggest markets, but down to Canada, the United Arab Emirates, and India.

Fresh grapefruit shipments were up for September, the first month of the 2008/09 season. Exports were higher this September over last September to Canada, South Korea, Taiwan, and Hong Kong, but down to Japan. With the forecast for a smaller crop this season, it may be hard to sustain the 22 percent growth in shipments seen during the first month of exporting. U.S. producers, however, still have a trade advantage in terms of a weakened dollar, which could make grapefruit competitive with other fruit on the grocery shelves around the world, boosting demand for fresh grapefruit in the world market.

Reduced Banana Supplies in Major Producing Countries Lowers Imports So Far This Year

U.S. imports of fresh bananas have been lagging behind last year, this January through September (table 18). Smaller supplies in major producing countries reduced the quantity of fruit available. In addition, the tighter supplies drove up retail prices to American consumers, reducing demand and further contributing to the lower quantity imported.

Shipments of apples and lemons are also down during the first two months of their new seasons. Apple shipments are off fractionally from the same period last season but will likely increase as the months progress to supplement the forecast smaller domestic crop. Lemon shipments are down 9 percent from the first two months of last season mostly due to the bigger crops out of California and Arizona reducing the need to bring in supplies from foreign producers to meet U.S. demand.

Table 17--U.S. exports of selected fruit and tree nut products

Commodity	Marketing season	Season-to-date (through September) 2007	2008	Year-to-date change
		---------- *1,000 pounds* ----------		*Percent*
Fresh-market:				
Oranges	November-October	740,275	1,334,260	80.2
Grapefruit	September-August	3,609	4,410	22.2
Lemons	August-July	9,623	15,038	56.3
Apples	August-July	166,546	183,001	9.9
Grapes	May-April	50,763	72,275	42.4
Pears	July-June	65,707	74,304	13.1
Peaches (including nectarines)	January-December	220,594	236,008	7.0
Straw berries	January-December	197,217	231,636	17.5
Cherries	January-December	112,793	100,201	-11.2
		------ *1,000 sse gallons 1/* -------		
Processed:				
Orange juice, frozen concentrate	October-September	44,602	58,250	30.6
Orange juice, not-from-concentrate	October-September	78,234	91,470	16.9
Grapefruit juice	October-September	20,225	16,073	-20.5
Apple juice and cider	August-July	963	955	-0.9
Wine	January-December	82,064	90,283	10.0
		---------- *1,000 pounds* ----------		
Raisins	August-July	50,763	72,275	42.4
Canned pears	June-May	3,387	4,448	31.3
Canned peaches	June-May	19,308	35,283	82.7
Frozen straw berries	January-December	24,813	26,840	8.2
		---------- *1,000 pounds* ----------		
Tree nuts:				
Almonds (shelled basis)	August-July	137,872	154,385	12.0
Walnuts (shelled basis)	September-August	4,141	3,754	-9.3
Pecans (shelled basis)	October-September	46,849	73,970	57.9
Pistachios (shelled basis)	September-August	7,959	11,927	49.9

1/ Single-strength equivalent.

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

Table 18--U.S. imports of selected fruit and tree nut products

Commodity	Marketing season	Season-to-date (through September) 2007	2008	Year-to-date change
		---------- *1,000 pounds* ----------		*Percent*
Fresh-market:				
Oranges	November-October	227,511	149,658	-34.2
Tangerines (including clementines)	October-September	268,081	214,604	-19.9
Lemons	August-July	55,028	50,216	-8.7
Limes	January-December	571,112	602,172	5.4
Apples	August-July	45,321	45,008	-0.7
Grapes	May-April	320,453	315,556	-1.5
Pears	July-June	10,750	10,788	0.4
Peaches (including nectarines)	January-December	120,327	129,314	7.5
Bananas	January-December	6,702,084	6,630,513	-1.1
Mangoes	January-December	553,968	571,655	3.2
		------ *1,000 sse gallons 1/* -------		
Processed:				
Orange juice, frozen concentrate	October-September	344,970	350,370	1.6
Apple juice and cider	August-July	81,998	76,624	-6.6
Wine	January-December	161,398	152,733	-5.4
		---------- *1,000 pounds* ----------		
Canned pears	June-May	25,077	17,929	-28.5
Canned peaches (including nectarines)	June-May	74,125	47,485	-35.9
Canned pineapple	January-December	577,968	585,345	1.3
Frozen straw berries	January-December	159,388	150,350	-5.7
		---------- *1,000 pounds* ----------		
Tree nuts:				
Brazil nuts (shelled basis)	January-December	21,288	16,032	-24.7
Cashew s (shelled basis)	January-December	221,520	210,211	-5.1
Pine nuts (shelled basis)	January-December	7,157	8,386	17.2
Pecans (shelled basis)	October-September	56,998	79,854	40.1

1/ Single-strength equivalent.

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

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