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Fruit and Tree Nuts Outlook

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Smaller Crops of Apples and Pears To Boost Prices

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Growers received higher prices for most of their fruit this summer compared with a year ago. The July-August 2002 grower price index for fruit and nuts averaged 2 percent above the July-August 2001 index. Grower prices averaged higher for 2001 fall crop apples and pears and this year's harvests of grapes, peaches, and fresh-market grapefruit. This fall, U.S. apple and pear crops are forecast smaller, likely resulting in continued stronger prices into 2002/03. Lower retail prices for Valencia oranges, grapefruit, and bananas lowered the Consumer Price Index for fresh fruit in July.

Various weather-related factors during the growing season are behind this year's 4 percent decline in U.S. apple production from a year ago. Production is down significantly in both the Eastern and Central States, but up slightly in the Western region. Reduced production, coinciding with below-average carryover stocks of 2001 crop apples and a smaller U.S. pear crop this year, should help boost apple prices this season. The smaller crop, higher prices, and a sharp increase on tariffs imposed on Washington apple exports to Mexico will likely limit export prospects for U.S. fresh apples during 2002/03.

Total U.S. pear production for 2002 is forecast down 6 percent from 2001 to 1.9 billion pounds. Early-season grower prices for fresh pears were down from a year ago, but as the season gets underway, prices are expected to improve.

Following two consecutive years of declining production, the 2002 U.S. cranberry crop is forecast to be up 7 percent from a year ago, to 572.0 million pounds. This year, there will be no restrictive marketing order in effect for the crop. Sharply lower carryover inventories, however, will help stabilize prices this year.

Record almond and pistachio harvests are expected this fall, but the hazelnut and walnut crops are expected to be smaller. As a result of the increase in almond production, the total 2002 nut crop should be bigger than a year ago.

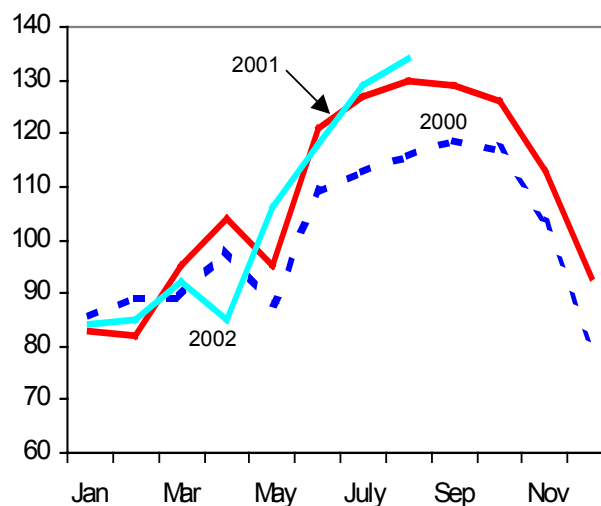
Price Outlook

Fruit Prices Received By Growers To Continue Strong

Growers received higher prices for most of their fruit this summer compared with a year ago. The grower price index for fruit and nuts during July and August 2002 averaged 2 percent above the July-August 2001 index (fig.1). During this 2-month period, grower prices averaged higher for 2001 crop apples and pears held in cold storage as well as this year's harvests of grapes, peaches, and fresh-market grapefruit. Meanwhile, prices for fresh-market oranges and strawberries averaged lower (table 1).

While grape supplies were large this summer, the good quality of the crop helped boost demand for the fruit, strengthening the prices received by grape growers. Peach prices in July averaged lower than the same period during the last 4 years but improved in August. California's peach supplies in July were slightly off from a year ago due to a heat wave that resulted in some crop losses. Although supplies out of California were down slightly, grower prices for peaches during that month were weak due partly to the poor quality of the fruit. In addition, larger supplies from Georgia and South Carolina increased overall peach shipments 2 percent above a year ago. High temperatures also affected the strawberry crop in Central California. Besides some quality

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



Source: National Agricultural Statistics Service, USDA.

problems, the early maturity of the crop forced a surge in supplies in July, and prices dropped sharply. August prices for strawberries remained below a year ago as supplies continued higher.

Production of major fruit crops, particularly apples and pears, are forecast down this fall from a year ago, likely resulting in continued stronger grower prices into the 2002/03 marketing year.

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

Commodity	2001		2002		2001-02 Change	
	July	August	July	August	July	August
	---- Dollars per box ----				Percent	
Citrus fruit: 1/						
Grapefruit, all	5.01	3.69	6.36	5.60	26.9	51.8
Grapefruit, fresh	7.79	7.29	8.22	8.02	5.5	10.0
Lemons, all	16.14	22.62	14.30	16.52	-11.4	-27.0
Lemons, fresh	22.90	29.02	23.43	25.03	2.3	-13.7
Oranges, all	4.33	5.57	3.90	5.18	-9.9	-7.0
Oranges, fresh	6.42	6.92	4.63	6.33	-27.9	-8.5
Noncitrus fruit:	---- Dollars per pound ----					
Apples, fresh 2/	0.152	0.173	0.206	0.245	35.5	41.6
Grapes, fresh 2/	0.315	0.300	0.500	0.365	58.7	21.7
Peaches, fresh 2/	0.288	0.216	0.205	0.278	-28.8	28.7
Pears, fresh 2/	0.203	0.197	0.156	0.230	-23.0	16.8
Strawberries, fresh	0.689	0.874	0.531	0.825	-22.9	-5.6

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: National Agricultural Statistics Service, USDA.

Carryover stocks of apples from last year's harvest are down sharply, and this is expected to help drive up the price of apples this season.

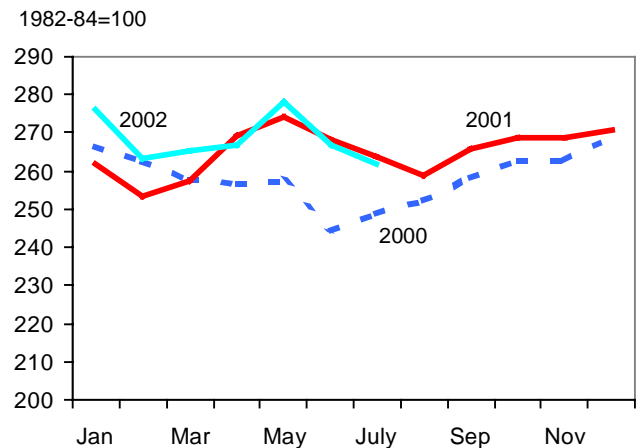
Fresh Fruit Retail Prices Continue Lower in July

The Consumer Price Index (CPI) for fresh fruit averaged slightly lower in July 2002 than the same period a year ago (fig. 2). Pulling this index down were the lower retail prices for Valencia oranges, grapefruit, and bananas (table 2). The CPI for canned fruit averaged 2 percent higher and was lower than the last 4 years.

The larger harvest of Valencia oranges and grapefruit this year has pressured prices down for these fruit. Besides the larger crop, grapefruit prices were also weakened by continued sluggish demand. July retail prices for bananas were below the same period a year ago, likely reflecting larger supplies and increased competition from other summer fruit. The most recent import data from the U.S. Department of Commerce's Bureau of the Census are reported through June of this year thus far. However, based on shipment data from the U.S. Department of Agriculture's (USDA)

Figure 2

Consumer Price Index for fresh fruit



Source: Bureau of Labor Statistics, U.S. Department of Labor.

Agricultural Marketing Service, U.S. banana imports in July were up sharply, mostly due to increased supplies from Costa Rica. Meanwhile, consumers will continue to pay higher prices for apples and lemons in the coming months due to lower supplies compared with last year.

Table 2--U.S. monthly retail prices, selected fruit, 2001-2002

Commodity	Unit	2001			2002			2001/2002 Change		
		May	June	July	May	June	July	May	June	July
Fresh:										
Valencia oranges	Lb	--	--	0.608	--	0.547	0.539	--	--	-11.3
Navel oranges	Lb	0.793	--	--	0.849	--	--	7.1	--	--
Grapefruit	Lb	0.616	0.654	0.719	0.614	0.671	0.673	-0.3	2.6	-6.4
Lemons	Lb	1.176	1.261	1.319	1.303	1.385	1.389	99.2	9.8	5.3
Red Delicious apples	Lb	0.848	0.890	0.892	0.921	0.938	0.968	-27.0	5.4	8.5
Bananas	Lb	0.509	0.506	0.523	0.515	0.512	0.517	-42.1	1.2	-1.1
Peaches	Lb	--	1.752	1.350	--	1.848	1.360	--	5.5	0.7
Anjou pears	Lb	0.978	1.039	--	1.040	0.960	0.960	--	-7.6	--
Strawberries 1/	12-oz pint	1.482	1.465	1.486	1.527	1.552	1.545	47.0	5.9	4.0
Thompson seedless grapes	Lb	--	2.081	1.579	2.404	1.852	1.702	--	-11.0	7.8
Processed:										
Orange juice, concentrate 2/	16-fl. oz	1.886	1.926	1.937	1.824	1.890	1.842	-3.3	-1.9	-4.9
Wine	liter	6.153	6.452	5.955	6.334	6.128	6.591	228.9	-5.0	10.7

-- Insufficient marketing to establish price.

1/ Dry pint.

2/ Data converted from 12 fluid ounce containers.

Source: Bureau of Labor Statistics, U.S. Department of Labor.

Poor Weather Reduces 2002 U.S. Apple Crop, Higher Prices Likely

According to USDA forecasts, U.S. apple production in 2002 will decline to 9.2 billion pounds, down 4 percent from a year ago and the smallest crop since 1988 (table 3). With production down significantly in both the Eastern and Central States (16 percent and 30 percent, respectively), even a 5-percent increase in production in the Western region (which accounts for over 60 percent of production) will not be sufficient to increase overall production. This year's U.S. apple crop will be smaller for the third consecutive year.

Various weather-related factors during the growing season are behind this year's decline in production in most apple-producing States. Most of the Eastern and Central States encountered problems with heavy frost damage in the spring, in addition to hail and drought. The only States expecting increased production are Georgia, South Carolina, North Carolina, Rhode Island, and Maine in the Eastern region, and Kansas and Arkansas in the Central region.

While production is expected up overall for the Western States, a late frost, along with a cool, late spring, poor pollination conditions, and a dry summer, have all combined to reduce crop size in all apple-producing States in this region except Washington, Colorado, and Arizona. Though these forecasts are already reported, weather conditions throughout the harvest season could also directly impact final crop size. A windstorm that moved through north-central Washington in mid-August caused some fruit from apple orchards to drop on the ground and damaged some fruit that remained on trees as well. Depending on the severity of these losses, the effects of this storm could eventually reduce the size of Washington's apple crop. Prior to this event, USDA forecast Washington's apple production to be 5.5 billion pounds in 2002, up 8 percent from a year ago.

Figures for the total quantity of fresh-market apples produced from this year's new apple crop will not be released until July 2003. This figure will be determined primarily by the size of the Washington crop where over three-quarters of the Nation's fresh-market apples are grown. Last year, the Washington crop was smaller due to weather problems and a

continued decline in bearing acreage, a response to poor economic conditions in the industry. Overall fresh-market apple production declined 11 percent in 2001 from the previous year, and the season-average price for fresh-market apples increased 29 percent to 22.9 cents per pound. Based on the Consumer Price Index for apples, retail apple prices during 2001/02 mirrored the pattern in grower prices, with the index averaging 5 percent higher than the previous year. If downward adjustments to the forecast for Washington's 2002 production do occur, 2002/03 fresh-market apple prices may average stronger than last year.

The overall slump in U.S. apple production this year, coinciding with below-average carryover stocks of 2001 crop apples and a smaller U.S. pear crop this year, should also help boost apple prices this season. In addition, the U.S. Apple Association has reported that the Nation's new apple crop, especially in Washington, is of high quality, aiding in boosting demand in both domestic and export markets.

As of July 1, 2002, the U.S. Apple Association reported U.S. apple holdings totaled 15.2 million bushels, down 28 percent from the same time last year and 18 percent lower than the 5-year average. Holdings of most apple varieties, including the most common such as Red and Golden Delicious, Granny Smith, Fuji, Gala, and McIntosh were all down significantly from last year. Holdings of the more common varieties were also down from the 5-year average, except for Fuji, Rome, and Jonathan apples. Fresh apple holdings (mostly Washington apples in controlled-atmosphere storage) were down 34 percent, while total processing holdings were 10 percent lower.

Although Washington is also the largest producer of processing apples, more than half of production comes from other large producers such as California, Michigan, New York, Pennsylvania, Virginia, and West Virginia where crops are all expected to be smaller this year. U.S. production of apples for the processing sector in 2002 will therefore likely be limited. Reduced supplies and lower stocks of processing apples will help boost grower prices. Production of processing apples was also down in 2001 from the year before and although imports,

Table 3--Apples: Total production and season-average price received by growers, 1999-2001, and indicated 2002 production 1/

States	Production				Price		
	1999	2000	2001	2002	1999	2000	2001
	--- Million pounds ---				--- Cents per pound ---		
Eastern States:							
Connecticut	23	21	21	12	27.6	30.2	32.2
Georgia	12	14	9	10	17.4	18.8	23.0
Maine	72	39	47	48	20.2	21.8	29.0
Maryland	38	34	41	32	9.4	13.7	15.5
Massachusetts	65	50	39	32	26.8	32.0	32.4
New Hampshire	44	34	30	23	21.5	23.6	25.0
New Jersey	50	50	55	40	12.8	13.4	16.2
New York	1,260	995	1,000	720	11.4	11.7	11.9
North Carolina	190	190	120	160	15.1	12.6	14.6
Pennsylvania	505	475	480	470	10.9	11.4	9.6
Rhode Island	4	2	2	4	37.2	35.9	38.3
South Carolina	32	20	6	14	13.7	12.9	18.7
Vermont	57	42	41	33	20.5	22.5	24.1
Virginia	360	320	310	250	10.9	10.3	10.6
West Virginia	140	85	115	100	9.3	9.5	8.2
Total	2,851	2,370	2,315	1,948			
Central States:							
Arkansas	5	7	6	6	23.8	25.2	25.0
Illinois	59	42	44	42	21.4	28.7	23.7
Indiana	60	45	53	40	23.4	24.5	18.5
Iowa	11	8	9	8	31.9	32.1	33.3
Kansas	7	3	4	5	27.7	26.8	28.3
Kentucky	9	7	9	8	29.3	24.9	29.1
Michigan	1,200	800	880	550	8.8	9.3	9.6
Minnesota	23	22	24	22	41.4	43.2	47.8
Missouri	49	38	41	34	17.5	16.9	17.1
Ohio	100	103	86	80	21.9	22.7	23.6
Tennessee	10	10	9	8	21.1	24.4	23.5
Wisconsin	77	71	62	58	28.1	28.0	29.3
Total	1,610	1,155	1,226	860			
Western States:							
Arizona	34	95	5	47	12.7	7.4	6.6
California	896	650	700	600	15.8	15.0	14.5
Colorado	8	30	25	26	21.8	13.9	21.3
Idaho	70	140	80	70	17.1	10.7	14.1
New Mexico	2	8	6	2/	25.0	25.4	31.8
Oregon	150	167	142	140	10.9	11.9	12.1
Utah	9	49	30	15	21.9	11.8	17.2
Washington	5,000	6,000	5,100	5,500	17.1	12.5	17.7
Total	6,169	7,139	6,088	6,398			
United States	10,631	10,664	9,629	9,206	15.0	12.7	15.7

1/ Commercial production from orchards of at least 100 bearing-age trees. 2/ End of season estimate only.

Source: National Agricultural Statistics Service, USDA.

mainly of apple juice, were higher, returns to growers were 4 percent higher, averaging \$106 per ton.

The smaller U.S. apple crop last year, compared with the previous year, limited exports during 2001/02. U.S. fresh apple exports from August 2001 through June 2002 were 19 percent lower than shipments made during the same period of the previous season. Shipments were down to most major export markets, with the largest declines posted in Mexico and among the largest markets in Asia, including Hong Kong, Indonesia, and Taiwan. In recent years, U.S. exporters have faced stiffer competition from increased volumes of lower priced apple exports from China in Southeast Asian markets. The expected smaller European apple crop and the recent shipments to Cuba (first shipments arrived in Cuba the week of July 8, 2002) could provide increased opportunities for U.S. exporters this season. However, the major factors that will likely limit exports during 2002/03 are reduced domestic supplies, higher prices, and a sharp increase on tariffs imposed on Washington apple exports to Mexico, the market for about one-third of U.S. apple exports.

With the United States market open to most Chilean fruit, aided in part by the counter-seasonal production schedules among the two countries, the United States has become Chile's largest apple export market. Over a third of last season's U.S. fresh apple imports were from Chile, with New Zealand and Canada following closely in share. Early reports of a likely smaller European apple crop this year will provide export opportunities to Chilean apple growers. Chile's exports to the United States may be curtailed if apple production in Chile declines in marketing year 2002 (marketed January-December 2003). Up until now, there are still no indications on the size and condition of the new apple crop in Chile.

Sweet/sour varieties, particularly Granny Smith apples, are gaining in share of Chile's fresh apple exports, mostly to Europe and the United States. Meanwhile, the export share of traditional red varieties, destined mostly to the European and Middle Eastern markets, are declining. Just like the United States, also a major player in the global apple market, apple growers in Chile are more rapidly expanding their production and exports of new varieties, such as the Fuji apple, to remain competitive. Both countries, however, have cut back on acreage in recent years due to financial difficulties faced by apple growers.

In the United States, total bearing acreage of apples declined in each of the last 4 years.

Reduced production in the fall of 2001 increased imports of fresh apples during the 2001/02 marketing season. U.S. imports from August 2001 through June 2002 totaled 309.7 million pounds, up 3 percent from the same period the year before. Increases came from nearly all major foreign suppliers, including Chile (up 9 percent), New Zealand (up 7 percent), and Canada (up less than 1 percent). Reduced production this year will likely lead to increased imports again during the 2002/03 marketing season.

U.S. imports of apple juice and cider from August 2001 through June 2002 were 12 percent higher than the volume imported during the same period a year earlier. The top three suppliers—Argentina, China, and Chile—all posted significant increases in shipments to the United States. However, imports from Italy, also a major supplier, declined by more than half. U.S. exports of apple juice and cider remained unchanged from the previous year. Lower shipments to many overseas markets, including leading markets such as Japan and Taiwan, were made up by sharp increases in exports to Canada and Mexico.

2002 U.S. Pear Crop Also Down This Fall

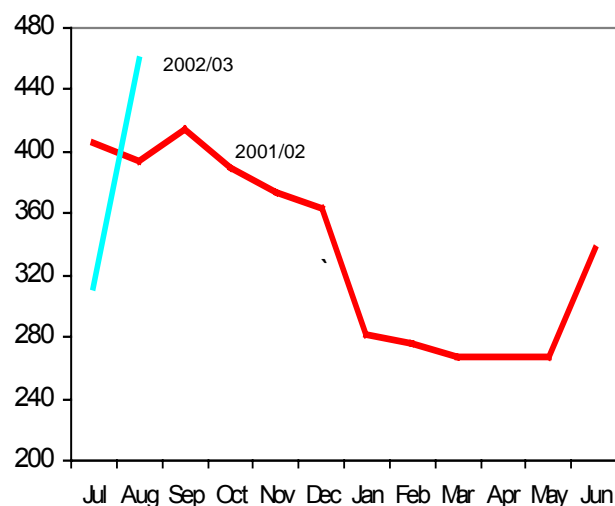
Total U.S. pear production for 2002 is forecast down 6 percent from 2001 to 1.9 billion pounds (table 4). The harvest of Bartlett pears is projected to decline 7 percent to 1.0 billion pounds. Combined production of other U.S. pear varieties is forecast at 830 million pounds, down 5 percent.

Within the production region of highest concentration, both California and Washington are forecast to produce smaller quantities of Bartlett pears (down 5 percent and 10 percent, respectively) than a year ago. Production of other-than-Bartlett varieties is also forecast down 8 percent in Washington but unchanged in California. Freezing temperatures caused damage to the crop in Washington while hail damage was the main culprit for the smaller crop in California. Despite experiencing a late frost, Oregon's production is forecast to be the same as last year for both Bartlett pears and other varieties.

Despite a decline in production, 2002/03 early-season prices for fresh pears were down from a year ago. Grower prices for fresh pears averaged \$312 per ton (15.6 cents a pound) in July, down from \$405 per ton the same period a year ago (fig. 3). At the start of the 2001/02 season (previous season), stocks of both Bartlett and other varieties were fully depleted. This is not the case this year. However, stocks remain lower than the quantity carried over 2 years back. As this year's season gets underway, prices are likely to improve. Prices in August are already up 17 percent from a year ago, at \$460 per ton.

Although production of other-than-Bartlett pear varieties was up slightly in 2001 compared with the previous year, the quantity of domestically-grown pears sent to the fresh market was relatively unchanged. However, overall fresh-market supplies were reduced due to lower imports. The overall increase in last year's production then was moved into the processing sector where production was up 5 percent.

Figure 3
U. S. grower prices for fresh pears
\$ per ton



Source: National Agricultural Statistics Service, USDA.

Table 4--Pears: Total production and season-average price received by growers, 1999-2001, and indicated 2002 production

State	Production 1/				Price		
	1999	2000	2001	2002	1999	2000	2001
	--- Million pounds ---				--- Cents per pound ---		
Pacific Coast:							
California:							
Bartlett	622	564	550	520	10.4	10.3	14.4
Other	60	60	60	60	14.8	21.9	15.7
Total	682	624	610	580	10.8	11.4	14.5
Oregon:							
Bartlett	132	120	140	140	14.9	14.9	15.1
Other	320	320	320	320	23.5	15.3	13.4
Total	452	440	460	460	21.0	15.2	13.9
Washington:							
Bartlett	420	352	402	360	11.4	12.7	10.8
Other	430	460	492	450	17.1	13.4	15.8
Total	850	812	894	810	14.3	13.1	13.6
Three States:							
Bartlett	1,174	1,036	1,092	1,020	11.3	11.7	13.1
Other	810	840	872	830	19.5	14.7	14.9
Total	1,984	1,876	1,964	1,850			
Colorado	1	6	4	5	32.9	18.8	25.0
Connecticut	2	3	1	1	38.8	28.1	32.2
Michigan	10	10	9	2	13.3	13.5	14.9
New York	25	29	22	20	19.4	17.7	20.1
Pennsylvania	8	9	11	11	21.3	25.5	28.5
Utah	1	1	1	1	22.9	26.7	29.2
Total	47	58	48	39			
United States							
Bartlett	1,174	1,036	1,092	1,020	11.3	11.7	13.1
Other	857	898	920	869	19.5	14.7	14.9
Total	1,934	1,934	2,012	1,889	14.7	13.2	14.1

1/ Includes unharvested production and production not sold.

Source: National Agricultural Statistics Service, USDA.

Lower fresh-market supplies last year gave a 14-percent boost to 2001/02 grower prices for fresh-market pears, raising the season-average price to 18.2 cents a pound. Meanwhile, increased supplies in the processing sector lowered grower prices for processing pears by 8 percent, to almost 9 cents a pound.

Also contributing to the higher fresh-market prices last year was increased shipments to export markets, particularly to the second largest market, Canada. Exports to other major markets, however, including Mexico, the largest of all the markets, were down. U.S. fresh pear exports during 2001/02 (July-June) rose 3 percent from the previous season.

2002 U.S. Cranberry Production Up

Following two consecutive years of declining production, the 2002 U.S. cranberry crop is forecast to be up 7 percent from a year ago, to 572.0 million pounds (table 5). If this forecast is realized, it will be the second largest crop since the record production of 635.7 million pounds 3 years ago. Production this year also nearly surpassed the harvest in 2000. Because growing conditions were generally favorable, production is forecast to be up in all cranberry-producing States, except New Jersey whose crop is expected to be 28 percent smaller.

Weather conditions were also generally favorable for production in 2000 and 2001, but production declined in those years mainly due to a restrictive marketing order in effect whereby growers were restricted on the amount of processing berries that they could sell. This Federal marketing order was established in light of mounting inventories in the industry and significant declines in grower prices. Grower prices

continued to decline in 2000 but were up 24 percent in 2001 from a year ago, with an average of 20.8 cents a pound. Though much improved from the previous year, grower prices during the 2001/02 marketing season were still much lower than average prices during the 1980s and early-to mid-1990s. This year, there will be no restrictive marketing order in effect for the U.S. cranberry crop. Meanwhile, ending inventories for the 2001/02 crop year will be down roughly 40 percent from the previous year, according to the Cranberry Marketing Committee, the group responsible for overseeing the Cranberry Marketing Order. This sharp drop in inventories will help offset some of the downward push on cranberry prices resulting from the expected larger crop.

Wisconsin remains the largest cranberry-producing State in the country, growing over half of the U.S. crop. It is followed by Massachusetts, with about a third of the total. With weather conditions being good to excellent throughout the growing season, production in Wisconsin is forecast up 2 percent, to 291 million pounds. In Massachusetts, production is expected up 26 percent, to 178 million pounds. Production in New Jersey has also progressed well but the crop is expected smaller due to a reduction in acreage in response to low prices.

First Forecast for the 2002/03 Citrus Crop This Month

The first estimates for the 2002/03 orange season were released by USDA's National Agricultural Statistics Service (NASS) on September 12. At this time, estimates were made only for California navel production. Official estimates for all citrus, from all the producing States, will be released October 11.

Table 5--Cranberries: Total production and season-average prices received by growers, 1999-2001, and indicated 2002 production

State	Production				Price		
	1999	2000	2001	2002	1999	2000	2001
	-- Million pounds --				-- Cents per pound --		
Massachusetts	188	195	142	178	16.2	17.9	21.6
New Jersey	70	49	57	41	10.1	15.9	19.3
Oregon	33	40	37	46	11.5	15.2	19.9
Washington	15	18	14	17	11.8	20.9	24.3
Wisconsin	331	269	284	291	20.0	16.2	20.5
United States	636	571	533	572	17.2	16.8	20.8

Source: National Agricultural Statistics Service, USDA.

According to the first estimates, the California navel crop is forecast at 1.5 million tons, up 18 percent from last season. Dry, mild weather during the spring and summer contributed to the increase. California's harvest generally begins in early November.

While official data for Florida's orange crop will not be available for another month, some private individuals in the industry have made early forecasts. According to these forecasts, the Florida crop will be about 12-to-16 percent lower than the 2001/02 crop. Drought conditions the past 3 years and diseases have stressed the trees, contributing significantly to the expected decline.

Rains in late spring and summer have helped the fruit size up this year. As a result, larger oranges, tangerines, and grapefruit are likely. Since consumers prefer large fruit, the fruit this season should help boost prices for fresh citrus out of Florida.

Brazil's orange production is projected to increase 22 percent this season. Despite the larger Brazilian crop, U.S. processing orange prices should increase this year if the Florida crop does turn out to be as small as is presently expected. The growing demand by American consumers for not-from-concentrate (NFC) orange juice will keep processor demand for Florida oranges, needed to make the NFC, strong.

Tree Nut Outlook

Forecast is for Record Almond and Pistachio Nut Crops in 2002

The California and Oregon Agricultural Statistics Services (CASS, OASS) have released estimates for their 2002 tree nut crops. According to surveys conducted in both States, record almond and pistachio harvests are expected this fall, but the hazelnut and walnut crops are expected to be smaller. As a result of the increase in almond production, the total 2002 nut crop should be bigger than a year ago.

Almond Crop Expected Bigger for Second Consecutive Year

Due to the alternate bearing nature of tree nuts, the 2002 almond trees should be producing a smaller crop this year. The almond survey early this summer, however, has forecast a record crop. The CASS survey estimates 980 million pounds of shelled almonds will be harvested. If realized, the 2002 crop would be 18 percent higher than last year's crop and the last record crop set in 1999. The estimates are based on sample surveys of California almond orchards.

The expected large crop results from an increase in the number of bearing acreage, a higher density of trees per acre, a higher nuts per tree count, and ideal conditions during bloom and pollination. Almond production in California in 2002 is based on 530,000 acres of bearing almond trees, with an average of 101 trees per acre. The record crop will likely cause grower prices to decline. While the kernel weight of the nut samples averaged the lowest in the past 5 years, the percentage of edible nuts was the highest during this time period, and the percentage of shrivel the lowest. These factors will play an instrumental role in the final price growers will receive.

The Almond Board of California reported that the almond inventory at the end of July 2002, the end of the marketing season, was down 27 percent from the previous season. This is good news for growers, since low stocks coming into a record year should help stabilize prices. Exports, which account for about 75 percent of the almond market, were also strong this past season. The declining U.S. dollar should help promote sales in the export market, and help move this year's crop. As a result, grower revenues are likely to be high this year.

Increased Bearing Acreage Boost Pistachio Production

California's pistachio harvest is forecast to reach a record 280 million pounds (in-shell basis), 74 percent higher than last year. Pistachio production is on the opposite cycle from most domestic tree nuts, and production this year was expected to be up. The record-sized crop, however, is also attributed to a record number of bearing acreage and number of filled nuts per tree. This year's estimate for a record crop was also based on an increased number of clusters per tree, nuts per cluster, and of filled nuts per tree.

The smaller crop in 2001, coupled with very strong domestic and export shipments, left this year's beginning inventories quite low. Low stocks help paint a positive picture for growers from a price perspective. Despite producing a record crop, growers should be able to demand relatively good prices from buyers for this year's harvest.

Walnut Harvest Expected To Decline Cyclically

The objective measurement survey for walnuts estimates a crop size of 275,000 tons in 2002, smaller than a year ago as might be expected during an off-year in the trees' production cycle. Despite a 2-percent increase in bearing acreage, the lower yield per acre resulted in a 10-percent smaller crop. Due to the increased number of bearing acres, however, this year's smaller crop will still be the third largest on record.

Prices for this year's harvest will depend on many factors. While this year's supply is expected to be smaller than a year ago, beginning inventories may be high. Last year production was at a record high, combined with very high inventories at the beginning of the season. Even though shipments were strong this past year, the combination of high production and large beginning stocks may result in high stocks coming into the new marketing year. (With the season ending in August, inventory data should be available soon.) This would likely put downward pressure on grower prices. A lower kernel grade among the sampled walnuts (the percent of sound nuts) also may contribute to lower prices this year. On the up side, a larger percent of this year's sampled

nuts were jumbo size than in any recent year. Larger nuts generally command higher prices.

Hazelnut Production Expected Lower Than Last Year's Record Crop

Due to the alternate bearing nature of the hazelnut tree, the harvest this fall is expected to produce only 18,000 tons of nuts. If realized, this year's crop would be 64 percent lower than last year and the lowest since 1998.

Shipments were strong for the 2001 crop, and the industry was able to market about 83 percent of the crop by the end of the season, according to the Hazelnut Marketing Board. Even so, the 2002 season will have large stocks coming into the new season, boosting available supplies. The much smaller crop expected this year, however, will likely keep supplies lower than the past few years, a positive impact on grower prices.

Supplies out of Turkey, which account for about 70 percent of world hazelnut production, are also expected to decline this year. Turkish prices have a strong effect on U.S. grower prices, especially since about half the U.S. shipments are exported. A determining factor in Turkish prices will be the level of government support this year. The Turkish Government has made an agreement with the International Monetary Fund to end its procurement of surplus hazelnut supplies. Should the government not provide any funds for procurement this year, more hazelnuts may be in the world market, lowering world prices.

Along with assistance from the World Bank, the Government of Turkey is trying to encourage hazelnut growers to move production into alternative crops. It is estimated that the program will reduce production by 25 percent. The decline in Turkey's production could help U.S. growers with improved prices in the future.

No Projections for 2002 Macadamia Nut and Pecan Production

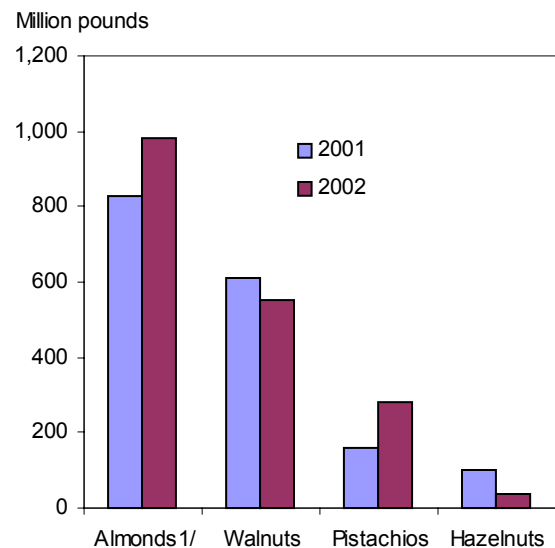
The Hawaii Agricultural Statistics Service released a final estimate for the 2001/02 macadamia crop in July. It does not make estimates about the present crop. Pecan estimates are unavailable because

production is so spread out that it would be impossible to survey the crop.

The 2002/03 macadamia nut season began July 1. Heavy rains in Hawaii in late 2001 and early 2002 should be favorable for the upcoming crop. Low prices in recent years have led growers to look for alternative crops. As a result, the number of bearing acres has been falling. With a continued decline in bearing acreage and the alternate bearing nature of the trees, this coming crop is likely to be smaller than the recently harvested crop.

In 2001/02, the value of macadamia nut production increased because of the bigger crop over the previous year. Grower prices fell to 58 cents per pound, compared with 75 cents a pound in 1997/98. This season's price is the lowest reported. A world oversupply of macadamia nuts has been the driving force behind lower prices.

Figure 4
Tree nut production, 2001 and 2002p



p = preliminary. 1/ Almonds are on a shelled basis, all others are in shell. Sources: National Agricultural Statistics Service, California Agricultural Statistics Service, and Oregon Agricultural Statistics Service, USDA.

Fruit and Tree Nut Trade Outlook

Export Prospects for Fresh Fruit Limited by Smaller Crops

Initial estimates for 2002/03 crops project smaller quantities of apples and pears, likely limiting the amount available for exports this season. In the case of the U.S. apple industry, this situation will be a repeat of last year. The 2001 U.S. apple crop was 10 percent smaller than the previous year and 2001/02 exports (through June thus far) registered a 19-percent drop (table 6). In addition to the expected 4 percent smaller crop this year, the prospects for U.S. apple exports this season will be dampened by the recent cancellation of the U.S./Mexico apple antidumping suspension agreement (agreed upon in 1998) by Mexico's Secretariat of Economy. Following this suspension, the Mexican Government imposed a 46.58-percent tariff on U.S. apples, effective August 13. U.S. apple shipments to Mexico dropped sharply after a 101-percent antidumping duty

was imposed on imported U.S. apples in 1997. Exports recovered slowly following the establishment of the antidumping suspension agreement. Mexico is the largest export market for the U.S. apple industry, accounting for over a quarter of all U.S. fresh apple shipments to international markets. Hence, a significant decline in shipments to this important market is very possible, likely driving down overall U.S. fresh apple exports in 2002/03.

U.S. sweet cherry exports are also down thus far this year due in part to reduced production. This year's domestic production was reported at 408 million pounds, down 11 percent from last year and the lowest in the last 13 years. Season-to-date (January-June) exports are down to leading markets, including Japan, Canada, Taiwan, Hong Kong, and the United Kingdom. Season-to-date (January-June) exports of U.S. peaches, meanwhile, posted a 3-percent decline despite the expected larger crop. Of its major export

Table 6--U.S. exports of selected fruit and tree nut products

Commodity	Marketing season	Season-to-date (through June)		Year-to-date change
		2000/01	2001/02	
		--- 1,000 pounds ---		Percent
Fresh-market:				
Oranges	November-October	1,121,187	986,275	-12.0
Grapefruit	September-August	830,669	854,376	2.9
Lemons	August-July	238,240	214,202	-10.1
Apples	August-July	1,568,287	1,275,195	-18.7
Grapes	May-April	37,329	34,906	-6.5
Pears	July-June	369,378	379,887	2.8
Peaches (including nectarines)	January-December	79,522	77,128	-3.0
Strawberries	January-December	78,956	92,826	17.6
Sweet cherries	January-December	52,403	44,436	-15.2
		--- 1,000 gallons ---		
Processed:				
Orange juice, frozen concentrate	October-September	42,420	114,937	171.0
Orange juice, chilled	October-September	47,295	38,290	-19.0
Grapefruit juice	December-November	22,742	23,524	3.4
Apple juice and cider	August-July	6,635	6,637	0.0
Wine	January-December	38,847	35,802	-7.8
		--- 1,000 pounds ---		
Raisins	August-July	222,329	227,221	2.2
Canned pears	June-May	365	398	9.0
Canned peaches	June-May	1,635	0	-100.0
Frozen strawberries	January-December	23,099	20,349	-11.9
		--- 1,000 pounds ---		
Tree nuts:				
Almonds (shelled basis)	August-June	517,324	610,448	18.0
Walnuts (shelled basis)	August-July	93,440	99,929	6.9
Pecans (shelled basis)	July-June	19,986	21,942	9.8
Pistachios (shelled basis)	September-August	20,332	21,374	5.1

Source: Bureau of the Census, U.S. Department of Commerce.

markets, U.S. shipments were down to Taiwan, the United Kingdom, and Colombia but were up to Canada, Mexico, and Hong Kong. Export shipments may not likely improve into July as very hot weather across peach growing areas in California caused some fruit losses and quality problems that may have reduced exportable volume for that month. However, fruit volumes are expected to recover for the rest of the summer, meeting demand in both domestic and international markets. Increased funding for export promotions through USDA's Market Access Program will also help move U.S. peaches in the world market.

Abundant supplies of U.S.-grown strawberries have allowed for increased shipments to export markets thus far this year. Exports are up sharply to Canada and Japan, but down markedly to Mexico. Meanwhile, 2001/02 season-to-date exports of fresh oranges, lemons, and grapes are down from the previous year due to reduced production. Although total U.S. production was up, the smaller navel crop,

particularly in California, limited fresh orange export supplies. Exports were down to its top market, Canada, and to most major markets in Asia.

Will the U.S. Ban on Spanish Clementines Continue?

Public meetings were held in California and Florida regarding USDA's proposed rules for the resumption of U.S. Spanish clementine imports for this upcoming season. The U.S. ban on Spanish clementines began in December of last year following several incidences where live Medfly larvae were detected in U.S. import shipments. The new proposed rules included the control of Medfly populations in clementine production areas in Spain and a modification to the cold treatment protocol. At the two public meetings held, industry members still expressed strong concern that the new proposed rules have not been scientifically proven to prevent a Medfly infestation that could harm U.S. produce industries.

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

Commodity	Marketing season	Season-to-date (through June)		Year-to-date change
		2000/01	2001/02	
		--- 1,000 pounds ---		Percent
Fresh-market:				
Oranges	November-October	46,669	52,895	13.3
Tangerines (including clementines)	October-September	191,527	129,787	-32.2
Lemons	August-July	48,329	71,390	47.7
Limes	September-August	344,422	254,377	-26.1
Apples	August-July	301,186	309,702	2.8
Grapes	May-April	167,256	235,163	40.6
Pears	July-June	187,601	175,804	-6.3
Peaches (including nectarines)	January-December	101,278	101,837	0.6
Bananas	January-December	4,305,956	4,305,295	0.0
Mangoes	January-December	275,989	354,983	28.6
		--- 1,000 gallons ---		
Processed:				
Orange juice, frozen concentrate	October-September	248,794	129,667	-47.9
Apple juice and cider	August-July	286,385	321,478	12.3
Wine	January-December	115,143	128,255	11.4
		--- 1,000 pounds ---		
Canned pears	June-May	2,339	3,269	39.8
Canned peaches	June-May	7,262	9,442	30.0
Canned pineapple	January-December	278,196	326,685	17.4
Frozen strawberries	January-December	54,680	83,455	52.6
		--- 1,000 pounds ---		
Tree nuts:				
Brazil nuts (shelled basis)	January-December	7,938	10,887	37.2
Cashews (shelled basis)	January-December	83,969	96,086	14.4
Pine nuts (shelled basis)	January-December	3,651	3,727	2.1
Pecans (shelled basis)	July-June	36,884	31,989	-13.3

Source: Bureau of the Census, U.S. Department of Commerce.

Highlight: Fruit and Tree Nut Exports

Fruit Exports are of Increasing Importance for Favorable Agricultural Trade Balance

The fruit industry has become increasingly important for creating a favorable trade balance in the agricultural sector over the past decade. While the export value of many of the major bulk commodities, wheat, feed grains, and rice have declined over the last 10 years, the value of all fruit products (including fresh, processed, tree nuts, and wine) has shown steady growth (fig. 5). Animal product exports, however, account for the largest share of the total value.

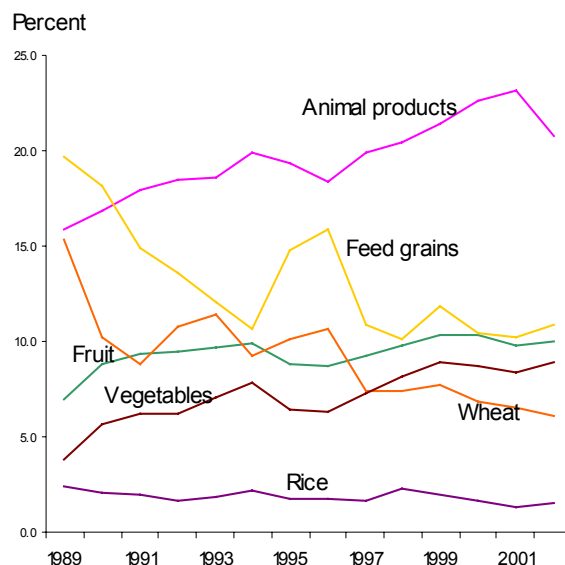
All fruit exports as a share of the value of all agricultural exports grew from an average of 8 percent from 1989-91 to 10 percent in 1999-2001. Wine was the fastest growing sector, followed by fruit juices. Growth in these two sectors was aided not only by increased shipments, but also by the very high value of these commodities, particularly wine and chilled juices.

Fresh Fruit Lead All Fruit Exports

Fresh fruit accounts for the largest share of total agricultural export value, about 4 percent. The share of the total has remained the same at the beginning of the new decade as it was at the beginning of the nineties. Nuts have the second largest share, about 2 percent of the total, also staying fairly stable over time. Both of these sectors are fairly mature exporters, and although their export value has increased over the past several years the value of their shipments has remained proportionately the same.

Asia is the leading destination for fresh and processed fruit (frozen and canned). Its share of the export market, however, has been declining as the importance of Latin America to fruit exports has increased. Canada leads all other countries in purchases of fresh and processed U.S. fruit. This is not surprising since it is our closest neighbor with an income level similar to ours. Japan is the next in importance. While Canada's share of exports has remained fairly constant, accounting for 29 percent of the value of exports, Japan's importance has been declining. In its place, Mexico's share of exports has been growing steadily. While in 1989-91, the value

Figure 5
Share of the value of all agricultural exports, by commodity, 1989-2001 1/



1/ Includes the commodity and its products.

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

of fresh and processed fruit shipments to Mexico accounted for only 2 percent of all such shipments, by 1999-2001 it had risen to 8 percent and became the third major country receiving U.S. product. The North American Free Trade Agreement (NAFTA) has been very successful in opening the Mexican market for many commodities. While barriers such as licensing and high tariff limited trade, NAFTA opened access to its market with the removal of some barriers and lower tariffs. Higher disposable income in Mexico has also increased their demand for American goods and this element is likely to drive increased demand for some time to come. Growth is also likely to be seen in the presently smaller Asian markets, such as Malaysia, South Korea, and Indonesia.

Fruit Juice Shipments Largest To Canada and Japan

Canada and Japan are again the largest markets for U.S. fruit juices. While Canada's demand has remained fairly constant over the past decade, Japan's share of the market, in value terms, has declined. Both the Netherlands and Belgium have been rapidly increasing their share of the market, especially with

improvement in the shipment of chilled orange juice. The value of chilled juice is higher than for concentrated forms and the strong demand in the European Union (EU) for this product has helped drive the increase.

EU Increasing Its Demand for U.S. Wine

The EU plays a major role in U.S. wine shipments, receiving about 60 percent of the total in recent years, up from 40 percent in the early nineties. Together, the Netherlands and Belgium import about 20 percent of the value of the shipments. They in turn, ship much of what they import into other European countries. The number one market, however, is Canada, which along with Japan have been losing market share in recent years as European demand grows.

Almonds Lead Horticultural Exports

Canada and Germany are the major markets for U.S. tree nuts, which include the number one horticultural export, almonds. Americans consume less than a pound of almonds a year, leaving about 75 percent of the production for export. Almond consumption is much higher in many European countries. As a result, Spain, also a major producer, needs to import in order to meet demand. Almonds are used in many products in Europe, including marzipan, an almond

paste. India is a rapidly growing market for U.S. tree nuts, although it is still small relative to the EU and Canada. India purchases the nuts in shell for domestic consumption and to re-export as a shelled product. The low cost of labor in India makes this a viable industry. The United States continues to work towards opening new markets, including new free trade agreements with individual countries around the world as well as through the World Trade Organization.

While general free trade agreements are successful at lowering tariffs and eliminating some of the other obstacles to trade, the biggest obstacle facing the U.S. fresh fruit industry is phytosanitary barriers in other high-income countries and low incomes in the general populations of many of our present trading partners.

Due to the nature of production, phytosanitary issues are more difficult to solve and are more likely to be the major impediment to opening new markets in the future. The other major obstacle is the low incomes in many of the countries from which we already receive fresh and processed fruit. Cost of production and quality are often higher in the United States than in many of our present trade partners, such as those in South America. As a result, the balance of trade for fruit will likely continue to tilt in their favor since large portions of their populations cannot afford to buy many U.S. fruit products.

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Data Tables

The following links provide the tabular data in Excel 97 spreadsheets on fruits associated with this issue of the *Fruit and Tree Nuts Outlook*.

Compilations:

1. Grape production and season-average price
<http://www.ers.usda.gov/publications/fts/Sep02/Grapeprod.xls>
2. Peach production and season-average price
<http://www.ers.usda.gov/publications/fts/Sep02/Peachprod.xls>
3. Plum and prune production and season-average price
<http://www.ers.usda.gov/publications/fts/Sep02/Plumprod.xls>
4. Apricot production and season-average price
<http://www.ers.usda.gov/publications/fts/Sep02/Apricotprod.xls>
5. Sweet cherry production and season-average price
<http://www.ers.usda.gov/publications/fts/Sep02/Sweetcherryprod.xls>
6. Tart cherry production and season-average price
<http://www.ers.usda.gov/publications/fts/Sep02/Tartcherryprod.xls>
7. Strawberry area, yield, and production
<http://www.ers.usda.gov/publications/fts/Sep02/Strawbryprod.xls>

The *Fruit and Tree Nuts Situation and Outlook Yearbook* (<http://www.ers.usda.gov/publications/fts/yearbook01/FTS-294.pdf>) 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.

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