



WORLD MARKETS AND TRADE

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2007/08 Global Pears

Summary

World pear trade is dominated by Argentina and China on the export side and Russia and the EU on the import side. The United States is currently a small net exporter, but rising imports and intensifying export competition from China could soon change that net position.

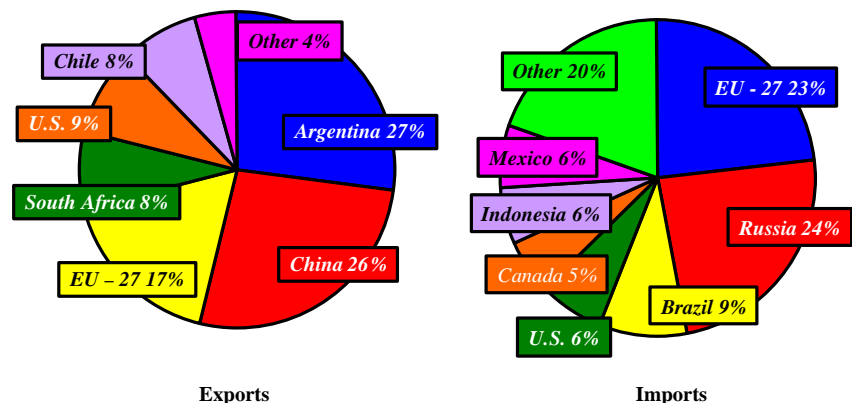
China Challenges for Top Export Spot

China is the world's largest producer with 12.6 million tons and is quickly challenging Argentina as the world's largest exporter. Although exports are only about 3 percent of production, 2007 is expected to mark the third year that export values exceed the United States. The U.S. is still a nascent market, but like Korea, shipments will coincide with the U.S. pear harvest which could add pressure to U.S. domestic prices. Most of China's market share gains will be in Asian countries and Russia and will present growing competition for U.S. pears.

Russia Becoming a Promising Market

Russia is the world's largest importer of pears. Imports grew 14 percent last year and are expected to grow an additional 9 percent in 2007/08 as incomes rises. As it attempts to close the fruit consumption gap with Western consumers, lower customs tariffs and activation of new container terminals at the Port of St. Petersburg will make imported product more competitive against lower priced domestic produce. Expanding demand should offer opportunities for additional U.S. sales, but also more competition from China, particularly in Russian Far Eastern ports.

Global Trade



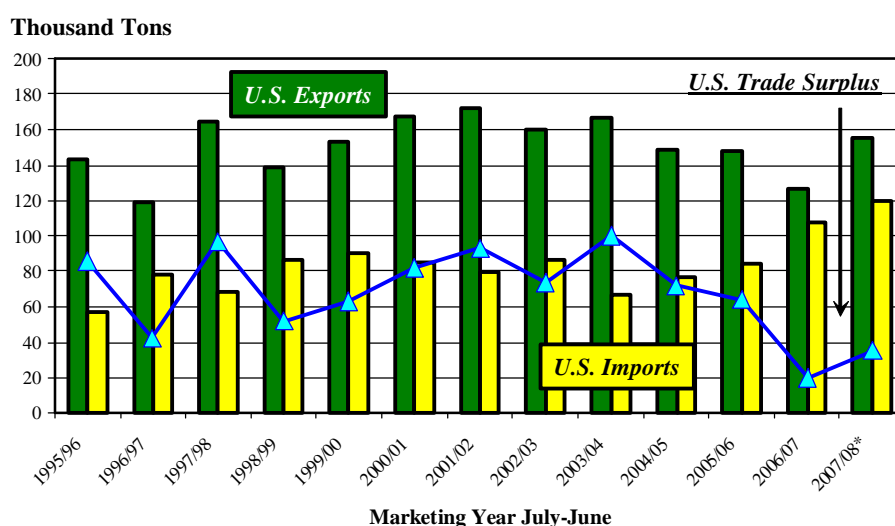
U.S. Pear Production Slightly Larger

U.S. pear production for marketing year 2007/08 is estimated to be 798,000 metric tons, 4 percent higher than last season. About 60 percent is utilized as fresh pears, while 40 percent enters the processed market, mostly in the form of canned product. The fresh market is dominated by several varieties including the Green Anjou and Bartlett but other varieties are making inroads including Bosc, Concord, Starkrimson, Comice, and Seckel. The Green Anjou, grown mostly in Washington, is the most exported variety. Last season, Washington State accounted for 43 percent of all utilized production, followed by California and Oregon at 28 and 26 percent, respectively.

Favorable Prospects for U.S. Exports

Exports are forecast up 22 percent at 155,000 tons. The United States continues as a net exporter with favorable prospects for U.S. exports with Mexico, the largest market (about 45 percent). Shipments to Mexico, particularly the Anjou variety, are up 8 percent for the July through November period, and with ample supplies and good prices are expected to continue strong. Mexico's production remains limited because of a lack of investment, high costs of production, scarce water supplies, and disease problems. Exports to Canada, our second-largest market, are also ahead of last year's pace, up 14 percent for the first five months of the season. Production there is expected to be sharply lower reflecting drought-like conditions during the growing season in the important producing regions of Ontario. However, U.S. market share is under pressure from Argentina and China, although Chinese competition is limited since Asian pears are not traditionally favored by western consumers. Growth in Russia stems mainly from direct shipments to the Far East, whereas exports to Western Russia have been hampered by congestion at the Port of St. Petersburg. Rising consumer incomes are stimulating demand for U.S. fresh fruits, with high quality pears shipped primarily October through February supplying this niche market.

U.S. Trade Balance in Pears



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

U.S. Imports Trend Up

United States pear imports in 2007/08 are expected to be up 12 percent with most of the growth from four countries; Argentina, Chile, Korea, and China. However, supplies from Argentina could be under pressure if the effect of the recent frosts is not offset by new plantations and the larger planted area. Chile is experiencing favorable weather in most growing areas. Lost sales from Chilean competition with Argentina in the European Union market is expected to bolster supplies available for export to the United States. Chile grows over 36 pear varieties; but Packam's Triumph and Buerre Bosc make up over 60 percent of exports. Other important varieties are Abate Fetel, Coscia, Summer Bartletts, and D'Anjou. Korea exports the Chinese sand pear, native to Asia. Expanding production and the addition of two new APHIS-approved packing houses late last year raises expectations for greater shipments to the U.S. China is expected to continue modest growth in the U.S. market with the gradual acceptance of Ya and Fragrant pear varieties, under the watchful eye of APHIS.

Domestic Pear Canning Industry Under Pressure

Most canned pears are of the Bartlett variety. The canning industry is under pressure with declining canned pear consumption, large carryover stocks from 2006/07, pear growers moving to more fresh-pear varieties, and increasing imports of canned pears. On February 7, 2007, the International Trade Commission (ITC) launched an investigation into conditions facing U.S. canned fruit producers and recently released its report entitled Canned Peaches, Pears, and Fruit Mixtures: Conditions of Competition Between U.S. and Principal Foreign Supplier Industries. The report can be viewed at <http://hotdocs.usitc.gov/docs/pubs/332/pub3972.pdf>. According to the report, global exports of canned pears totaled almost \$93 million, having grown over 70 percent since 2002. South Africa and Australia lost market share, largely to China and Thailand, whose exports more than tripled over the 5 year period. The major flows of trade are to the United States and the EU from just a few major suppliers. In 2006, over one half of global exports were supplied by two countries: South Africa and China.

In its submission and cited in the report, the Northwest Horticultural Council (Council), together with the Pacific Northwest Canned Pear Service and the Washington Oregon Canning Pear Association, stated that a 10-percent loss in the number of Bartlett pear growers in the Pacific Northwest in recent years is due in part to an increase in competition from low cost imports of canned pears from China and other principal foreign suppliers. The Council stated that, as production costs of pears for canning have risen in recent years and grower prices for fresh cannery pears have fallen, canned imports that once accounted for one percent or less of domestic consumption now account for 18 percent of a declining U.S. consumption and the principal foreign supplier of these imports is China. The Council stated that increasing imports of low priced canned pears were reducing demand for domestically produced canned pears, which, in turn, affected U.S. growers.

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