Hazelnut Situation and Outlook

Hazelnut production in selected countries in 2001/02 is forecast to increase 38 percent to 843,817 metric tons, due to increased output in all major hazelnut-producing countries. Total world hazelnut supply has also increased, although not as significantly, due to an increase in world production and Turkey's larger carryover stocks. Total exports from selected countries in 2001/02 are forecast to increase 12 percent to 520,750 tons, due to higher production in all countries. U.S. hazelnut exports are forecast at 27,750 tons, 122 percent above last year due to a much larger crop. Future world production and supplies will be strongly influenced by the outcome of Turkey's implementation of International Monetary Fund's (IMF) reforms to gradually phase out its hazelnut support price.

United States

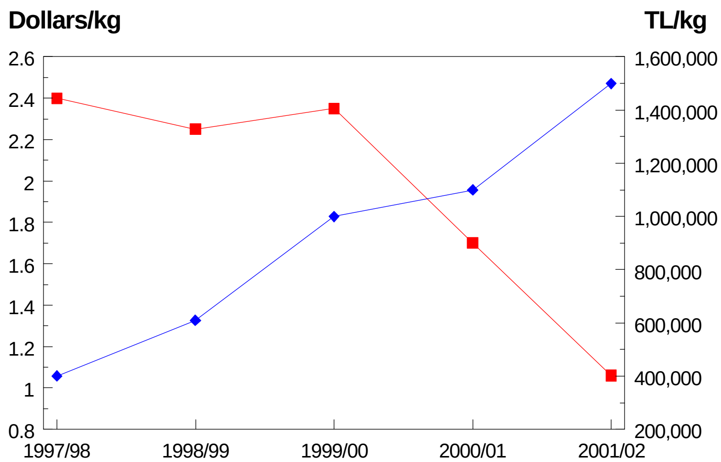
U.S. hazelnut production in 2001/02 is forecast at 43,817 tons, up 113 percent from the previous year's harvest and 22 percent above 1999/00 production. This is due to the crop's alternate bearing cycle and good weather conditions. Virtually all of the expected production will come from Oregon, except for an estimated 270 tons from Washington. In fact, Oregon's production is expected to be a record for the second time in the past four years. Oregon's previous record was 42,638 tons in 1997. Exports in 2001/02 are forecast at 27,750 tons, 122 percent above the previous year's shipments, due to the much larger output. However, U.S. exports will face increased international competition from lower-priced Turkish product, as Turkey gradually phases out price supports to FISKOBIRLIK (The Union of Hazelnut Sales Cooperative). Hazelnut prices are expected to remain relatively stable, despite higher production.

Turkey

Turkey is the world's largest hazelnut producer, accounting for about 70 percent of world supply. The 2001/02 crop is forecast at 630,000 tons, up 29 percent from last year, due to favorable weather conditions before harvest. Hazelnut production is one of the most important economic activities in the country, employing an estimated 385,000 growers. Of these, most grow hazelnuts to supplement their primary income, own about 1 to 2.5 hectares, and use family labor at harvest. Only a few large growers rely solely on hazelnut production as their primary income. There are approximately 536,000 hectares in production, although this is difficult to determine, given the lack of systematic crop surveys.

Following through on its commitments to the International Monetary Fund (IMF) to reduce inflation, the Government of Turkey (GOT) is trying to reduce the large production surplus, by gradually lowering the hazelnut support price. On August 18, 2001, the general director of FISKOBIRLIK announced the MY 2001/02 procurement prices, which are differentiated by the type of hazelnut. Levant type hazelnuts, which are an estimated 70-80 percent of the total production will receive the support price of TL 1,500,000. ($1.06/kg), which represents a 36-percent increase in nominal terms from last year's price of TL 1,100,000 ($2.30/kg). The announcement has not been well received by growers. Although the MY 2001 price is 36 percent higher in nominal terms that it was the previous year, inflation was 65 percent during the last 12 months and devaluation of the Turkish Lira at about 225 percent. FISKOBIRLIK is expected to procure between 100,000 and 150,000 tons of hazelnuts in 2001/02, although the quantity purchased will be determined by the amount and timeliness of payments provided by the GOT.

FISKOBIRLIK'S Procurement Price



Source: USDA/FAS Attache Reports

Turkey accounts for more than 80 percent of the world hazelnut trade and, through FISKOBIRLIK, largely determines world export prices. Indicative export prices in early August were around $280.00 per 100 kilograms compared to $300.00 a year earlier. Export prices dropped recently to $225.00 after FISKOBIRLIK announced the new procurement price. In 2001/02, exports are forecast at 420,000 tons, up 4 percent from last year. Although 78 percent of Turkish exports go to the EU, Turkey is trying to expand markets in Asia, the former Soviet Union countries, as well as the United States, where it is involved in a joint promotion program with U.S. growers to increase U.S. hazelnut consumption. About 70 percent of Turkey's hazelnut exports comprise raw kernels, with the remaining 30 percent being processed kernels, including roasted, sliced, chopped, paste, meal, and flour.

Italy

Hazelnut production in 2001/02 is forecast at 135,000 tons, 63 percent above last year's poor crop, due to cyclical crop fluctuation and favorable weather conditions. Imports are expected to decrease 25 percent, due to increased production. Imports of shelled hazelnuts from the United States and Turkey dropped to zero in 2000/2001, due to the cheap price of Turkish product and increased supplies of competing hazelnuts from the EU. Exports for 2001/02 are forecast at 3,000 tons, 36 percent above last year's level, due to the larger crop. In 2000/01, exports fell by 14 percent, due primarily to aggressive Turkish competition in Italy's main hazelnut export markets (Germany, France, and Switzerland). Reduced domestic supplies in 2000/01 (due to the poor Italian crop) strengthened the market, and prices of Italian hazelnuts averaged about 13 percent more than the previous year, despite the increasing imports of shelled hazelnuts from Turkey. The forecast of large crops both in Turkey and Italy, on the other hand, will likely depress the market during the next marketing year.

The EU program favoring domestic hazelnut producers (which provided payment of 15 EUROs per 100 kg., in-shell basis) has expired and no new support actions have been adopted by the EU for the hazelnut industry. This is despite strong grower support for these measures in order to counteract competition from Turkey. The EU Commission will probably produce a draft proposal by the end of this year, to be discussed by the Council next year, although budget constraints will limit the impact of such a new policy initiative.

Spain

The 2001/02 hazelnut crop in Spain is forecast to increase substantially to a record 35,000 tons, more than double last year's crop of 16,000 tons, due to the crop's alternate bearing cycle and unusually rainy weather during the summer of 2001. Hazelnut exports are expected to increase and imports are expected to decrease as a result of the much larger crop. The United States represents about 5 percent of Spain's total hazelnut imports and continues to face stiff competition from lower-priced Turkish product, which accounts for 65 percent of Spain's imports. All Turkish hazelnut exports to Spain are shelled, while U.S. exports are in-shell. The bulk of the hazelnut crop is consumed in-shell, with the confectionary and chocolate industries consuming 60-70 percent of total supplies.

While there is no price support program for tree nuts, the EU does have an improvement plan that is implemented in both Spain's hazelnut and almond sectors. Up to 475 ECU/hectare can be provided to growers for varietal improvement of their orchards. The Government of Spain and industry continue to seek an extension of the Program until the implementation of the new fruit and vegetable regime begins, in principle scheduled for 2003. Spanish nut growers have been very vocal in arguing for an extension of this program. Given competition from Turkish product, Spanish hazelnut growers consider this program vital to their future competitiveness and are expected to oppose the most recent EU proposal for reform of the fruit and vegetable regime, which calls for a significant cut in subsidies.

The FAS Attaché Report search engine contains detailed reports on Tree Nut Competition or Market Intelligence for 16 countries, including Turkey, Italy, and Spain. (For information on production and trade, contact Erik Hansen at 202-720-0875. For information on marketing contact Ingrid Mohn at 202-720-5330. Also, visit the tree nuts web page at: http://www.fas.usda.gov/htp/horticulture/nuts.html)

HAZELNUTS: PRODUCTION, SUPPLY AND DISTRIBUTION

Country/ Marketing Year 1/	Beginning Stocks	Production	Imports	Total Supply	Exports	Domestic Consumption	Ending Stocks
	Metric tons, in-shell basis						
Italy							
1998/99	15,000	118,000	32,367	165,367	51,044	112,323	2,000
1999/2000	2,000	110,000	44,000	156,000	35,000	119,000	2,000
2000/01	2,000	83,000	56,000	141,000	33,000	106,000	2,000
2001/02	2,000	135,000	40,000	177,000	50,000	123,000	4,000
2002/3 F	4,000	100,000	50,000	154,000	35,000	117,000	2,000
Spain							
1998/99	0	10,000	9,300	19,300	6,700	12,600	0
1999/2000	0	25,000	9,700	34,700	14,000	17,200	3,500
2000/01	3,500	16,000	10,000	29,500	13,000	16,000	500
2001/02	500	35,000	7,000	42,500	23,000	18,500	1,000
2002/3 F	1,000	20,000	10,000	31,000	12,000	18,000	1,000
Turkey							
1998/99	100,000	625,000	2,254	727,254	347,477	104,777	275,000
1999/2000	275,000	610,000	3	885,003	397,613	187,390	300,000
2000/01	300,000	490,000	0	790,000	406,000	169,000	215,000
2001/02	215,000	630,000	0	845,000	420,000	200,000	225,000
2002/3 F	225,000	600,000	0	825,000	425,000	200,000	200,000
United States 2/ 3/ 4/ 5/							
1998/99	1,723	14,061	14,195	29,979	11,429	18,447	103
1999/2000	103	34,500	14,996	49,599	13,093	32,403	4,103
2000/01	4,103	20,412	14,500	39,015	12,500	24,515	2,000
2001/02	2,000	43,817	14,990	60,807	27,750	26,884	6,173
2002/3 F	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total							
1998/99	116,723	767,061	58,116	941,900	416,650	248,147	277,103
1999/2000	277,103	779,500	68,699	1,125,302	459,706	355,993	309,603
2000/01	309,603	609,412	80,500	999,515	464,500	315,515	219,500
2001/02	219,500	843,817	61,990	1,125,307	520,750	368,384	236,173
2002/3 F	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1/ Marketing Years: July-June for the United States; September -August for Spain, Italy, and Turkey.
2/ U.S. export and import data are from the Bureau of the Census with forecasts by the Foreign Agricultural Service (FAS)/USDA.
3/ The U.S. domestic shelling ratios for exports and imports are .403, .388, .391 and .399 for 1998/99, 1999/00, 2000/01, and '2001/02 respectively and originate from the National Agricultural Statistics Service (NASS)/USDA.
4/ U.S. stock data comes from the Hazelnut Marketing Board (HMB)
5/ The 2001/2002 production forecast comes from NASS.
F= Forecast.

SOURCES: USDA's Foreign Agricultural Service (FAS) Agricultural Attaché Reports, Bureau of the Census, HMB, and NASS/USDA.

U.S. Exports of Hazelnuts to Principle Markets /1
Marketing Years 1996/97 - 2000/01

Destination	1996/97	1997/98	1998/99	1999/00	2000/01
	Metric Tons, Shelled and In-Shell				
Australia	400	497	224	227	84
Brazil	910	661	336	404	255
Canada	1,064	1,285	913	805	886
China /2	2,865	3,916	1,760	4,377	7,711
Egypt	128	382	321	382	230
EU	5,340	9,283	4,656	2,360	3,438
Israel	379	954	211	445	451
Japan	27	75	91	42	16
Korea	0	32	70	49	95
Mexico	362	528	318	444	406
Saudi Arabia	0	67	0	0	17
Switzerland	5	49	42	0	0
Taiwan	2	0	9	92	22
UAE	15	20	20	17	34
Venezuela	166	196	263	497	425
Other Countries	455	613	163	144	352
Grand Total	**12,118**	**18,558**	**9,397**	**10,285**	**14,422**

/1 - Marketing years: July - June
/2 - Includes Hong Kong
Source: All data from the U.S. Cenus Bureau