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Fruit and Tree Nuts Outlook

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Citrus Production Down in 2004/05 Due to Smaller Florida Crops

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The next release is
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Grower prices this January and February 2005 were above any January and February since 1990. The higher prices for citrus fruit, due to intermittent supply shortages of fresh oranges and reduced crops of grapefruit, processing oranges, and tangerines, drove prices above previous years. Retail prices for grapefruit were four times higher this January than last January.

In March, the 2004/05 U.S. citrus crop was forecast at 11.6 million tons, 29 percent below last season and 23 percent below 2002/03. While the total orange crop is smaller, California's orange production, which produces the bulk of the fresh oranges, is forecast to reach 2.4 million tons, 23 percent higher than last season, and the biggest crop since 1999/2000. Grower prices for fresh oranges have been averaging above last season due to intermittent rains hampering harvesting.

The damaging 2004 hurricane season lowered citrus production in Florida. Its orange production is forecast at 6.9 million tons, the smallest crop since 1991/92. Despite the smaller crop this season, monthly grower prices for processing oranges through February have been lower than any season for the past 4 years. Weak demand and lagging fruit maturity at the beginning of the season contributed to the lower prices.

This season's lemon crop is forecast at 832,000 tons, 4 percent higher than last season, with a bigger crop in California, but smaller in Arizona. The smaller quantity of lemons produced in Arizona this season reduced the quantity available this August and September and drove grower prices above last season.

Tangerine production is forecast to total 340,000 tons in 2004/05, 22 percent below 2003/04. The Florida crop, which accounts for 63 percent of the total, is expected to be 31 percent lower. California's tangerine crop is forecast to total 109,000 tons, 9 percent above last season. Tangerine production has been increasing over the past few years in California, as growers are planting more acreage to clementine and murcott tangerine varieties.

Price Outlook

Index of Prices Received by Growers Higher In January and February Than Last Year

The grower price index (1990-92=100) for January and February 2005 is above any January and February since the index began in 1990 (fig. 1). The higher prices for citrus fruit this January and February, due to intermittent supply shortages of fresh oranges and reduced crops of grapefruit, processing oranges, and tangerines, drove the index above previous years.

The January index at 104 was 3 percent higher than December due to higher orange prices offsetting price declines for grapefruit, lemons, and apples (table 1). Despite a big, good quality crop out of California, grower prices this January for fresh oranges have been the highest since 2002. Heavy rains throughout harvesting this season have made it difficult for labor to get into the fields and harvest the fruit, creating periodic supply shortages, and driving up prices.

The February index rose to 122, 17 percent above January. Orange prices continued higher in February but fell for the other major fruit crops in the market, including grapefruit, lemons, tangerines, apples, and strawberries.

Figure 1

Index of prices received by growers for fruit and tree nuts

1990-92=100



Source: National Agricultural Statistics Service, USDA.

Consumer Price Index for Fresh Fruit Declining After Reaching All-Time High in December

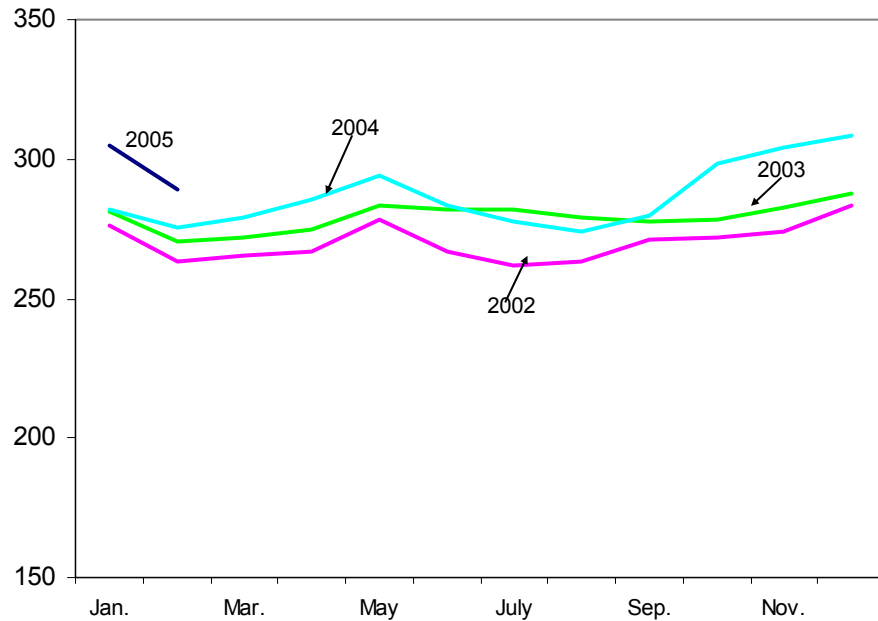
The Consumer Price Index (CPI) fell 1 percent in January to 305 (1982-84=100) from a high of 308 in December (fig. 2). The January index, however, was 8 percent above January 2004. Prices rose late last fall in expectation of smaller supplies of many citrus crops. Prices continued above the previous year since, however, the index dropped in January as retail prices for oranges declined. While below December, orange prices in January 2005 averaged 22 percent above January 2004 (table 2). Grapefruit prices were over four times higher than they were in January 2004 since supplies have been so tight this season due to the 2004 hurricanes dramatically-reduced crop size in Florida.

Lemon prices were also higher this January due to smaller production out of Arizona, a major source of lemons at the start of the season. As the season progresses, and harvesting shifts to California's coastal and Central Valley regions, lemon prices should decline.

Figure 2

Consumer Price Index for fresh fruit

1982-84=100



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

The CPI declined again in February, falling to 289.1. The February 2005 index was 5 percent below January, but 5 percent above February 2004. Retail prices fell between January and February for grapefruit, lemons, apples, and strawberries, offsetting higher orange prices. Prices at retail stores, however, were still considerably above February 2004 for all citrus fruit and pears. Among the major fresh fruit available in the market in February, consumers paid less this year than last February only for fresh apples and strawberries. In the following months, consumers can expect to see retail prices decline for oranges as harvesting switches from navels to Valencias. Lemon and strawberry retail prices should continue to decline as California's crops dominate the market.

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

Commodity	2004		2005		2004-05 Change	
	January	February	January	February	January	February
	--Dollars per box--				Percent	
Citrus fruit: 1/						
Grapefruit, all	2.99	2.80	12.52	11.46	318.7	309.3
Grapefruit, fresh	6.2	6.59	17.29	17.45	178.9	164.8
Lemons, all	2.64	3.91	6.54	6.32	147.7	139.4
Lemons, fresh	8.52	10.14	14.93	15.95	75.2	87.2
Oranges, all	2.45	3.02	2.99	3.59	22.0	18.9
Oranges, fresh	7.41	7.54	8.19	8.74	10.5	15.9
	--Dollars per pound--					
Noncitrus fruit:						
Apples, fresh 2/	0.30	0.30	0.22	0.21	-28.9	-31.1
Grapes, fresh 2/	--	--	--	--	--	--
Peaches, fresh 2/	--	--	--	--	--	--
Pears, fresh 2/	0.18	0.17	0.25	0.25	40.6	48.3
Strawberries, fresh	1.51	1.27	1.40	1.21	-7.3	-4.7

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.

Table 2--U.S. monthly retail prices, selected fruit, 2004-2005

Commodity	Unit	2004		2005		2004-05 Change	
		January	February	January	February	January	February
		--- Dollars ---		--- Dollars ---		--- Percent ---	
Fresh:							
Valencia oranges	Lb	--	--	--	--	--	--
Navel oranges	Lb	0.793	0.725	0.838	0.802	5.7	10.6
Grapefruit	Lb	0.651	0.670	0.975	0.986	49.8	47.2
Lemons	Lb	1.166	1.167	1.143	1.334	-2.0	14.3
Red Delicious apples	Lb	1.019	1.050	0.966	0.974	-5.2	-7.2
Bananas	Lb	0.512	0.504	0.485	0.502	-5.3	-0.4
Peaches	Lb	--	--	--	1.757	--	--
Strawberries 1/	12-oz pint	2.481	2.332	3.234	2.346	30.4	0.6
Thompson seedless grapes	Lb	1.856	1.615	2.706	1.883	45.8	16.6
Processed:							
Orange juice, concentrate 2/	16-fl. oz	1.957	1.873	1.872	1.835	-4.3	-2.0
Wine	liter	6.737	6.275	7.206	7.812	7.0	24.5

-- 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.

Fruit Outlook

Citrus Production Forecast at 11.6 Million Tons in 2004/05

In March, the 2004/05 U.S. citrus crop was forecast at 11.6 million tons, 29 percent below last season and 23 percent below 2002/03 (table 3). Grapefruit production declined sharply this season, as did Temple, tangerine, and orange production. Only lemon and tangelo production increased from last season.

Florida's strong presence in the U.S. citrus industry affected overall production in 2004/05. The hurricanes in the fall of 2004 contributed to an estimated 41 percent decline in the State's citrus crop from a season ago and reduced the overall citrus crop forecast for the United States. While Florida's producers were faced with drastically reduced crops, California and Texas producers saw increased production from their citrus trees. Growers in these two States benefited from the overall higher grower prices this season brought on by Florida's smaller crop.

Table 3--U.S. citrus: Utilized production, 2001/02-2002/03 and forecast 2003/04 1/

Crop and State	Utilized production				2003/04-2004/05
	2001/02	2002/03	2003/04	2004/05 2/	Change
	--1,000 short tons--				Percent
Oranges	12,374	11,545	12,930	9,376	-27.5
Arizona	19	18	18	16	-11.1
California	1,931	2,326	1,952	2,400	23.0
Florida	10,350	9,135	10,890	6,885	-36.8
Texas	74	66	70	75	7.1
Grapefruit	2,424	2,063	2,152	985	-54.2
Arizona	5	4	5	6	20.0
California	198	187	181	178	-1.7
Florida	1,985	1,646	1,738	553	-68.2
Texas	236	226	228	248	8.8
Tangerines	420	382	435	340	-21.8
Arizona	23	16	25	17	-32.0
California	83	105	101	109	7.9
Florida	314	261	309	214	-30.7
Lemons	801	1,026	798	832	4.3
Arizona	106	114	114	91	-20.2
California	695	912	684	741	8.3
Other citrus 3/					
Florida	167	164	108	100	-7.4
Total	16,186	15,170	16,423	11,633	-29.2

1/ The crop year begins with the bloom of the first year shown and ends with the completion of harvest the following year. 2/ Forecast as of March 10, 2005. 3/ Includes Temples, tangelos, and K-early citrus (K-early data were discontinued in 2001/02).

Source: National Agricultural Statistics Service, USDA.

Fresh Orange Production and Price Up in 2004/05

While the total orange crop is smaller in 2004/05, California's orange production, which produces the bulk of the fresh oranges, was forecast by USDA's National Agricultural Statistics Service (NASS) to reach 2.4 million tons, 23 percent higher than last season, and the biggest crop since 1999/2000. California's navel orange crop was up 16 percent from last season and comprised about two-thirds of the State's total orange production. Fruit were reported large this season, a favorable attribute contributing to strong grower prices. While overall quality was reported to be excellent, adverse weather conditions including freezing temperatures and heavy rains have damaged some of the fruit.

California fresh orange grower prices this season have ranged from \$14.46 per 76-lb box in November, the first month of the season, to \$9.76 in February, declining seasonally (table 4). Interruptions during harvesting because of rains intermittently limited supplies, boosting prices above previous seasons. Prices this season were the highest since 2001/02, when similar supply interruptions also occurred due to rains.

The Valencia orange harvest began in February in some of the southern growing regions. Despite the removal of 6,500 bearing acres of Valencia orange trees this season, high fruit set per tree drove production up 43 percent from last season. This season, the Valencia crop accounted for about one-third of the State's orange crop, up from one-quarter last season. The larger Valencia crop is likely to put downward pressure on grower prices for the remainder of the season. Demand for Valencia oranges has been declining in recent years as consumers' fruit choices have increased and imports of navel oranges from Southern Hemisphere countries became more available, competing with Valencias in retail markets.

Table 4--Fresh oranges: Average equivalent on-tree prices received by growers, California, 2000/01-2004/05

Month	2000/01	2001/02	2002/03	2003/04	2004/05
	---Dollars/90-lb box---				
November	8.73	17.05	11.05	12.16	14.46
December	7.63	13.85	8.25	9.96	11.56
January	7.23	12.75	5.65	8.46	9.96
February	7.76	11.51	4.26	8.53	9.76
March	10.21	10.39	6.45	10.28	
April	12.09	11.00	8.41	9.75	
May	11.11	8.86	8.65	10.13	
June	7.76	5.43	7.09	11.53	
July	6.32	5.13	5.36	10.15	
August	6.62	6.23	5.64	11.15	
September	8.42	6.33	4.94	13.81	
October	7.32	6.63	4.84	21.65	

-- = Not available.

Source: National Agricultural Statistics Service, USDA.

**Florida's Orange Crop Forecast at 6.9 Million Tons,
The Smallest Since 1991/92**

The damage to Florida's orange crop from this past fall's hurricane season resulted in a further decline in March for the forecast for this season's crop size. As of March 10, Florida's orange production is forecast at 6.9 million tons, the smallest crop since 1991/92, the season after two consecutive freeze years. The March forecast is 3 percent below the February forecast and 37 percent lower than last season.

Harvesting of the early- to mid-season orange crop started later this season due to lagging fruit maturity and small crop size. The fruit were reported to be of average size, although there was much variation. The hurricanes not only resulted in a decreased number of fruit left on the tree, but also contributed to a higher-than-average drop rate. The early- to mid-season orange crop harvest was mostly completed by mid-March. Unlike recent seasons when all but a fraction of the crop remained to be harvested by this time, this season 3 percent of the crop remains on the trees.

Valencia orange harvesting got underway in Florida in late February. By mid-March, Florida's Citrus Administrative Committee reported that only about 4 percent of the crop had been harvested, compared with about 9 percent last season and 12 percent two seasons ago. Fruit size is among the smallest in the past 10 seasons. Fruit dropage is the highest since 1990/91, a freeze year.

Despite the smaller crop this season, monthly grower prices for processing oranges through February have been lower than any season for the past 4 years, except for last season when stocks and production were high (table 5). These prices represent what growers received for their early- to mid-season orange varieties sold to processors. Weak demand and lagging fruit maturity at the beginning of the season contributed to the lower prices.

Table 5--Processing oranges: Average equivalent on-tree prices received by growers, Florida, 2000/01-2004/05

Month	2000/01	2001/02	2002/03	2003/04	2004/05
---Dollars/90-lb box---					
October	2.18	2.35	1.68	0.60	--
November	2.44	2.57	2.29	1.32	0.25
December	2.45	2.68	2.37	1.57	1.65
January	2.49	2.80	2.50	1.74	2.20
February	2.58	2.87	2.58	2.09	2.80
March	3.54	4.10	3.84	2.52	
April	4.10	4.17	3.87	3.10	
May	4.11	4.22	3.85	3.05	
June	4.08	4.16	3.74	3.15	
July	--	--	--	--	
August	--	--	--	--	
September	--	--	--	--	

-- = Not available.

Source: National Agricultural Statistics Service, USDA.

Orange Juice Production Forecast To Be Lowest in 14 Years

The 37-percent decline in Florida's orange crop this season is expected to result in 1 billion single-strength equivalent gallons of orange juice to be produced, 32 percent below last season and the smallest quantity since 1991/92. Despite the much smaller production this season, supplies are expected to decline only 11 percent to 2.1 billion gallons due to record juice stocks at the beginning of the season (table 6).

The very large juice stocks coming into the 2004/05 season have contributed to low demand for oranges by the processing industry. The larger proportion of the early-to mid-season and Valencia crops remaining to be harvested as of mid-March relative to the past two seasons, even with the reduced sizes of these crops, is an indicator that processor demand is lower so far this season than the past few seasons.

Table 6--United States: Orange juice supply and utilization, 1986/87 to present

Season 1/	Beginning stocks	Production	Imports	Supply	Exports	Domestic consumption	Ending stocks 2/	Per Capita consumption
			Million SSE gallons 3/					Gallons
1986/87	204	781	396	1,381	73	1,106	201	4.6
1987/88	201	907	296	1,404	90	1,103	212	4.5
1988/89	212	970	272	1,454	73	1,148	233	4.7
1989/90	233	652	350	1,235	90	920	225	3.7
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	305	2,424	148	1,597	679	5.8
1998/99	679	1,236	350	2,265	147	1,584	534	5.7
1999/00	534	1,507	339	2,380	146	1,589	645	5.7
2000/01	645	1,439	258	2,342	123	1,521	698	5.4
2001/02	698	1,432	189	2,319	181	1,446	692	5.0
2002/03	692	1,247	291	2,230	103	1,422	705	4.9
2003/04	705	1,471	223	2,399	123	1,434	842	4.9
2004/05 f	842	999	300	2,141	114	1,402	625	4.7

f=forecast. 1/ Season begins in October of the first year shown as of 1998/99, prior year season begins in

December. 2/ Data may not add due to rounding. Beginning with 1994/95 ending stocks, stock data include chilled as well as canned and frozen concentrate juice.

Beginning in 1998/99, ending stocks reflect stocks on hand as of the first week in October.

3/ SSE = single-strength equivalent. To convert to metric tons at 65 degree brix, divide by 1.40588.

Source: Economic Research Service and Foreign Agricultural Service, USDA.

Juice movement has been below last season so far for frozen concentrated orange juice (FCOJ) and domestically for not-from-concentrate orange juice (NFC). As of the first week of March, the Florida Citrus Processors Association reported that FCOJ movement was lagging by 12 percent, and domestic movement of NFC was lagging by 1 percent from last season.

Despite the slower domestic movement of orange juice, retail prices for NFC have been almost 3 percent higher so far this season over last. The industry can charge more for NFC despite weak domestic demand, because overall movement has been strong due to growing export demand. Export movement for the 2004/05 season through early March was 38 percent above last season, bringing total movement almost 2 percent higher. The higher total movement has brought down stocks by 15 percent so far compared with last March. The smaller NFC stock in March and strong export demand is likely to boost demand and prices for Valencia oranges as the season progresses. Valencia oranges are important in the production of NFC, and with the strong total movement reported so far this season, processors' demand is likely to increase in the coming months now that the Valencia variety is being harvested.

U.S. per capita consumption of orange juice is forecast to total 4.7 gallons, about 4 percent below last season. Weak demand at the retail and food service levels for orange juice is contributing to the decline.

Grapefruit Production Forecast To Be the Lowest Since 1935/36

The grapefruit crop this season is only expected to reach 985,000 tons, 54 percent below last season. If realized, this season's crop would be the lowest since 1935/36.

With two hurricanes hitting Florida's east coast, right where much of its grapefruit trees grow, production is forecast to total only 553,000 tons, 68 percent less than last season. If realized, the Florida grapefruit crop, which usually accounts for about 80 percent of domestic production, will account for only 56 percent of the total, and Texas, the next largest producer, will see its share of the crop increase from 11 percent last season to 25 percent this season. Texas' crop is forecast at 248,000 tons, 9 percent larger than last season and the biggest crop since 2000/01.

The markedly lower production drove up grapefruit prices for growers in all States. Texas growers, with their bigger crop this season, were in good position to take advantage of higher prices. This season, grower prices for Texas' fresh grapefruit average \$20.11 per 80-pound box. The closest growers came to receiving such a high price for their fresh grapefruit was in 1991/92, the first productive season after a major freeze wiped out production in late 1989.

Florida grapefruit grower prices have ranged from \$14.20 per 85-pound box in December to \$11.88 a box in February (table 7). Although growers have been receiving prices averaging 300 to 400 times higher than the previous three seasons, the much smaller crop this season will likely result in lower industry returns. Returns this season will also be unevenly distributed throughout the States. Growers in Florida's southern and western counties, who normally account for about 17 percent of the State's grapefruit production, were not directly affected by

the hurricanes, and they did not lose much of their crop. These growers have a much larger share of 2004/05's production and will receive higher returns. Growers whose groves are concentrated in the hurricane-impacted counties along the east-central coast and central Florida lost substantial portions of their crop and will likely face low returns.

***Grapefruit Juice Production and Consumption
Likely To Decline in 2004/05***

The small Florida grapefruit crop is likely to result in grapefruit juice production declining by more than 60 percent from last season. ERS estimates that as a result of the 68 percent smaller crop, strong demand from the fresh market for quality fruit remaining, and flat consumer demand for grapefruit juice in recent seasons, grapefruit juice production is expected to decline to about 50 million single-strength equivalent gallons in 2004/05 and per capita consumption will decline about 40 percent to 0.24 gallon. The greatest decline is likely to be for the consumption of frozen concentrated grapefruit juice. Juice movement so far this season is 33 percent behind last season.

Average Size Lemon Crop Bringing Growers High Prices

This season's lemon crop is forecast at 832,000 tons, 4 percent higher than last season, but about average for the past 6 years. California's crop, which comprises 89 percent of the production, increased 8 percent over last season. Arizona's crop, which comprises the remainder of the production, declined 20 percent. High temperatures in March 2004 following the winter bloom for the 2004/05 crop, reduced the Arizona crop's fruit set, and therefore the crop size. A lack of precipitation this past August added to the lower crop size.

Table 7--Grapefruit: Average equivalent on-tree prices received by growers, Florida, 2001/02-2004/05

Month	2001/02	2002/03	2003/04	2004/05
--Dollars per 85-lb box--				
October	6.46	5.27	6.53	--
November	3.64	3.50	3.89	13.03
December	2.69	2.51	3.39	14.20
January	2.76	2.26	2.87	12.95
February	2.10	2.03	2.84	11.88
March	1.85	1.64	2.42	
April	1.61	1.17	1.9	
May	1.37	1.10	2.11	
Average	2.81	2.44	3.24	

-- = Not available.

Source: National Agricultural Statistics Service, USDA.

Arizona’s lemons make up a large share of the harvest in August when the season begins. The smaller quantity of lemons available this August and September drove up grower prices from last season (table 8). In addition, supplies had been low at the end of the 2003/04 season due to a small lemon crop in California that season, boosting prices in June and July 2004 and helping maintain strong demand for the new lemon crop during the summer months. Grower prices this season have averaged \$10.52 per 76-lb box between August 2004 and February 2005, compared with \$6.85 per box the same time last season.

Most of the harvesting moved to California in the second half of December. Although its crop is bigger than a year ago, prices have remained higher due to temporary interruptions in harvesting due to rains and fog, creating spotty supplies. California’s lemon quality has been reported to be good this season, also helping maintain strong prices.

Tangerine Production Down 22 Percent in 2004/05

Tangerine production is forecast to total 340,000 tons in 2004/05, 22 percent below last season. The Florida crop, which accounts for 63 percent of the total, is expected to be 31 percent lower. About 55 percent of the crop is early-variety tangerines, particularly Fallglo and Sunburst varieties. Fallglo harvest was completed by the end of February with some Sunburst still remaining. Honey tangerines comprise the remaining 45 percent of the crop. Slightly less than a third of the Honey tangerine crop remained to be harvested by mid-March.

California’s tangerine crop is forecast to total 109,000 tons, 9 percent above last season. Tangerine production has been increasing over the past few years in California, as growers are planting more acreage to clementine and murcott tangerine varieties. Growers have been removing acreage planted to Valencia oranges and replacing it with navel oranges or tangerines in response to higher demand for these fruit. The industry has seen the growth in demand for imported easy-peel varieties of tangerine in the United States, especially the clementines, and has responded by increasing their plantings. Most of the trees planted to these

Table 8--Lemons: Average equivalent on-tree prices received by growers, 2001/02-2004/05

Month	2001/02	2002/03	2003/04	2004/05
--Dollars per 76-lb box--				
August	18.46	20.28	12.95	14.70
September	15.43	18.43	10.72	15.41
October	19.15	15.19	8.36	13.10
November	14.95	9.43	5.56	9.37
December	9.34	6.02	3.83	8.20
January	6.91	3.35	2.64	6.54
February	4.60	0.69	3.91	6.32
March	5.88	0.47	7.37	
April	8.47	4.60	9.69	
May	10.58	5.46	12.37	
June	15.50	5.77	14.85	
July	17.72	6.24	14.61	

Source: National Agricultural Statistics Service, USDA.

varieties have not yet begun to bear commercial crops. Over the next several years, as these trees become productive, California tangerine production will become increasingly competitive with Florida's varieties. As of yet, Florida has not been able to successfully grow commercial clementines.

Tangerine grower prices have been averaging about 33 percent above last season from October through February. Prices this season are the highest since 1994/95. Low domestic production, as well as a decline in imports, contributed to the higher prices (table 9).

Value of 2004 Fruit and Tree Nut Crops Higher Than Previous 2 Years

NASS reported the 2004 fruit and tree nut crop's value at \$14.6 billion, 10 percent higher than in 2003 and 14 percent higher than in 2002 (table 10). California's fruit and nut production had a value of \$9.1 billion, the highest among all States, accounting for 62 percent of the total, slightly more than the previous 2 years. Washington's production, ranked second in value, totaled \$1.7 billion, fractionally lower than 2003. Rounding out the top five producing States in terms of value of their fruit and tree nut crops were Florida, Oregon, and Michigan.

Grapes were the highest valued crop in 2004, worth \$2.9 billion (table 11). California's grape production accounted for 91 percent of the total grape value. More than half the value of the California grape crop is attributed to wine grapes. Higher grower prices in 2004 increased the value of the crop despite a decline in utilized production.

California's almond crop ranked second in value at \$2.1 billion, 28 percent above 2003. Hazelnuts, macadamia nuts, pecans, and pistachios together had a value of \$823.7 million (walnut data are not yet available). Strong grower prices due to lower world supplies for most of these crops helped increase the value of each of these crops in 2004.

The apple, orange, and strawberry crops round out the top five crops in value among domestically produced fruit and tree nuts. Each crop was valued at \$1.5 billion or greater. While the value of the 2004 apple crop was lower than during 2003, the value of the orange and strawberry crops was higher.

Table 9--Fresh tangerines: Average equivalent on-tree prices received by growers, 2001/02-2004/05

Month	2001/02	2002/03	2003/04	2004/05
--Dollars per 95-lb box--				
October	11.12	11.37	9.50	15.06
November	13.48	14.89	12.59	16.18
December	11.66	14.36	13.00	16.38
January	16.68	15.31	15.85	18.86
February	13.72	11.67	11.85	17.15
March	14.30	12.08	12.72	
April	17.42	13.05	15.11	
May	17.77	14.97	23.30	

Source: National Agricultural Statistics Service, USDA.

Strong demand for berries has boosted the value of most berry crops in 2003 and 2004. While most berry crops account for only a small share of all fruit and tree nut production, the value of berry crops has grown from \$449 million in 1980 to \$1.5 billion in 2000 and \$2.2 billion in 2004, contributing 15 percent of the total receipts.

The strawberry crop is the highest valued berry crop, accounting for about two-thirds of all berry revenues since the eighties. The blueberry crop accounted for 13 percent of the value of the total berry crop in 2004. The cranberry crop is the third highest valued berry crop. Its share of total berry value, however, has declined from a high of 20 percent in 1980 to 10 percent in 2003 and 2004.

Table 10--Value of fruit and tree nut crops, by State, 2002-2004

State	Crop value			Share of U.S.			Percent change 2003-04	State ranking
	2002	2003	2004	2002	2003	2004		
	--1,000 dollars--			--Percent--				
Alabama	12,508	11,371	8,608	0.1	0.1	0.1	-24.3	32
Arizona	85,061	72,508	70,668	0.7	0.5	0.5	-2.5	16
Arkansas	7,897	10,759	9,978	0.1	0.1	0.1	-7.3	31
California	7,721,332	7,930,884	9,055,457	60.2	59.5	61.9	14.2	1
Colorado	15,679	17,869	18,523	0.1	0.1	0.1	3.7	24
Connecticut	6,079	9,740	10,300	1/	0.1	0.1	5.7	30
Florida	1,781,307	1,513,612	1,590,313	13.9	11.4	10.9	5.1	3
Georgia	99,163	122,138	139,601	0.8	0.9	1.0	14.3	8
Hawaii	153,197	157,490	126,799	1.2	1.2	0.9	-19.5	9
Idaho	24,432	23,964	29,777	0.2	0.2	0.2	24.3	22
Illinois	20,433	23,486	19,497	0.2	0.2	0.1	-17.0	23
Indiana	14,487	17,078	16,998	0.1	0.1	0.1	-0.5	25
Iowa	1,783	1,991	2,308	1/	1/	1/	15.9	41
Kansas	2,927	2,451	3,762	1/	1/	1/	53.5	39
Kentucky	1,926	3,325	3,626	1/	1/	1/	9.1	40
Louisiana	4,831	16,423	8,136	1/	0.1	0.1	-50.5	35
Maine	33,760	38,815	35,110	0.3	0.3	0.2	-9.5	18
Maryland	7,290	10,032	6,775	0.1	0.1	1/	-32.5	36
Massachusetts	60,176	62,674	78,755	0.5	0.5	0.5	25.7	14
Michigan	150,735	277,093	282,415	1.2	2.1	1.9	1.9	5
Minnesota	9,008	8,624	8,157	0.1	0.1	0.1	-5.4	34
Mississippi	2,490	5,228	1,120	1/	1/	1/	-78.6	42
Missouri	11,779	14,460	13,597	0.1	0.1	0.1	-6.0	27
Montana	4,082	3,163	4,473	1/	1/	1/	41.4	38
New Hampshire	6,993	6,835	8,300	0.1	0.1	0.1	21.4	33
New Jersey	91,341	90,878	87,881	0.7	0.7	0.6	-3.3	12
New Mexico	45,587	70,953	82,445	0.4	0.5	0.6	16.2	13
New York	183,270	207,102	218,980	1.4	1.6	1.5	5.7	6
North Carolina	71,963	74,589	71,196	0.6	0.6	0.5	-4.5	15
Ohio	29,099	36,853	33,837	0.2	0.3	0.2	-8.2	20
Oklahoma	7,112	7,010	34,860	0.1	0.1	0.2	397.3	19
Oregon	256,142	302,907	348,461	2.0	2.3	2.4	15.0	4
Pennsylvania	87,240	102,273	97,193	0.7	0.8	0.7	-5.0	11
Rhode Island	849	785	1,021	1/	1/	1/	30.1	43
South Carolina	43,788	33,579	32,360	0.3	0.3	0.2	-3.6	21
Tennessee	3,358	4,548	4,691	1/	1/	1/	3.1	37
Texas	75,352	100,122	114,504	0.6	0.8	0.8	14.4	10
Utah	4,971	18,960	16,668	1/	0.1	0.1	-12.1	26
Vermont	9,435	9,958	11,770	0.1	0.1	0.1	18.2	28
Virginia	34,578	32,964	49,364	0.3	0.2	0.3	49.8	17
Washington	1,506,400	1,712,438	1,705,584	11.7	12.8	11.7	-0.4	2
West Virginia	10,921	12,580	10,853	0.1	0.1	0.1	-13.7	29
Wisconsin	126,816	151,570	146,982	1.0	1.1	1.0	-3.0	7
United States	12,827,577	13,332,082	14,621,703	100.0	100.0	100.0	100.0	

1/ Less than 0.05 percent.

Source: National Agricultural Statistics Service, USDA.

Table 11--Value of fruit and tree nut crops, by commodity, 2002-2004

Commodity	Crop value			Share of total			Percent change
	2002	2003	2004	2002	2003	2004	2003-04
	--1,000 dollars--			--Percent--			
Grapefruit	292,156	263,490	296,777	2.3	2.0	2.0	12.63
Lemons	327,964	291,425	269,753	2.6	2.2	1.8	-7.44
Oranges	1,846,199	1,564,658	1,645,856	14.4	11.7	11.3	5.19
Tangelos (FL)	10,758	11,489	9,871	0.1	0.1	0.1	-14.08
Tangerines	124,718	117,462	125,301	1.0	0.9	0.9	6.67
Temples (FL)	6,919	5,591	4,806	0.1	1/	1/	-14.04
Apples	1,581,260	1,811,130	1,758,277	12.3	13.6	12.0	-2.92
Apricots	28,565	34,706	34,978	0.2	0.3	0.2	0.78
Avocados	382,188	396,127	--	3.0	3.0	--	--
Bananas (HI)	8,600	9,225	--	0.1	0.1	--	--
Blackberries (OR)	20,687	28,986	33,407	0.2	0.2	0.2	15.25
Cultivated blueberries	194,566	220,649	275,963	1.5	1.7	1.9	25.07
Wild blueberries (ME)	17,860	26,880	18,670	0.1	0.2	0.1	-30.54
Boysenberries	3,320	3,725	5,968	1/	0.0	1/	60.21
Sweet cherries	274,471	342,112	435,734	2.1	2.6	3.0	27.37
Tart cherries	27,879	81,302	70,810	0.2	0.6	0.5	-12.90
Cranberries	182,783	208,611	221,755	1.4	1.6	1.5	6.30
Dates (CA)	37,510	26,896	31,464	0.3	0.2	0.2	16.98
Figs (CA)	18,087	15,373	19,463	0.1	0.1	0.1	26.61
Grapes	2,842,277	2,605,586	2,879,011	22.2	19.5	19.7	10.49
Guavas (HI)	1,455	925	--	1/	1/	--	--
Kiwifruit (CA)	18,097	20,472	--	0.1	0.2	--	--
Loganberries (OR)	210	189	131	1/	1/	1/	-30.69
Nectarines (CA)	114,600	119,028	86,278	0.9	0.9	0.6	-27.51
Olives (CA)	58,983	48,289	60,643	0.5	0.4	0.4	25.58
Papayas (HI)	11,924	13,069	12,319	0.1	0.1	0.1	-5.74
Peaches	488,011	454,286	461,216	3.8	3.4	3.2	1.53
Pears	264,334	270,425	295,531	2.1	2.0	2.0	9.28
Pineapples (HI)	100,616	101,470	79,934	0.8	0.8	0.5	-21.22
Plums (CA)	77,586	87,362	74,347	0.6	0.7	0.5	-14.90
Dried Prunes (CA)	132,030	129,696	72,000	1.0	1.0	0.5	-44.49
Prunes & Plums (4 States)	4,237	5,260	6,784	1/	1/	1/	28.97
Black raspberries (OR)	1,191	3,132	4,952	1/	1/	1/	58.11
Red raspberries	42,540	40,774	52,398	0.3	0.3	0.4	28.51
Raspberries (CA)	40,851	127,920	138,985	0.3	1.0	1.0	8.65
Strawberries	1,161,630	1,375,142	1,471,251	9.1	10.3	10.1	6.99
Tree Nuts							
Almonds	1,200,687	1,600,144	2,051,628	9.4	12.0	14.0	28.22
Hazelnuts	19,500	39,037	50,690	0.2	0.3	0.3	29.85
Macadamia nuts	30,210	32,330	33,150	0.2	0.2	0.2	2.54
Pecans	165,033	277,629	301,421	1.3	2.1	2.1	8.57
Pistachios	333,300	145,180	438,480	2.6	1.1	3.0	202.03
Walnuts	329,940	374,900	--	2.6	2.8	--	--
Total 2/	12,827,577	13,332,082	14,621,703	100.0	100.0	100.0	9.67

-- Data not available until July 6, 2005. 1/ Less than 0.05 percent.

2/ Includes estimates for K-early citrus and limes in 2002.

Source: National Agricultural Statistics Service, USDA.

Tree Nut Outlook

Tree Nut Revenue Up for Fourth Consecutive Year

The value of the 2004/05 tree nut crop totaled \$3.25 billion, 32 percent higher than last year and the highest on record. Value was higher for all the major crops (data were not yet available for the walnut crop). Grower revenues have been increasing annually over the past 4 years at an average rate of 22 percent a year.

Almond Production Declines for Second Year

NASS forecasted the preliminary almond crop for 2004 at 1.02 billion pounds, 2 percent below the 2003 crop and 4 percent below the record high crop in 2002. The smaller crop coupled with strong demand boosted the season-average grower price to \$2.04 a pound, the highest since 1996/97. As a result, the crop's value rose 28 percent to \$2.05 billion, making almonds the second highest valued fruit and nut crop after grapes.

According to data from the Almond Board of California (ABC), more almonds have been shipped domestically so far this year (August through February) than the same time in 2003/04. Commitments from domestic sources are also higher, and U.S. per capita consumption should be up in 2004/05 despite the smaller crop.

Exports have been reported to be lagging behind last year, according to the ABC, reducing their share of the market from 72 percent during August-February 2003/04 to 69 percent during the same time this year. Export shipments have been down 3 percent so far this year from last year, and commitments are behind by 15 percent. Exports have been down to Germany and Spain, the two biggest overseas markets. Shipments could increase in the coming months to make up for some of the shortage in the smaller Spanish crop this year. Shipments also have been lower to Japan, but higher to Canada and Mexico.

California's almond trees were in bloom in February. While bees were placed in the orchards to aid pollination, rainy weather resulted in unfavorable conditions for the bees to pollinate the blossoms. If poor pollination conditions were widespread, the 2005 crop could be adversely affected.

High Grower Prices Drive Hazelnut Crop Value to Record High in 2004

In 2004, hazelnut growers received \$1,370 per ton, 33 percent higher than in 2003 and 37 percent higher than in 2002. The 2004 crop was to be an off year in the alternate bearing cycle of hazelnut trees, however, higher-than-average yields for an off year resulted in the crop size declining only 2 percent from 2003. During recent off years, the hazelnut crop has ranged from 13,000 to 19,000 tons. In 2004, however, 37,000 tons of hazelnuts were produced.

The sharply higher grower price in 2004 can be attributed to lower world supplies of hazelnuts. While the U.S. crop was smaller than 2003, beginning stocks were 77 percent lower, reducing overall domestic supply. At the same time, the world's biggest hazelnut producer, Turkey, experienced 2 years of low production and stocks. As a result, world supplies of hazelnuts were very tight in 2004. Turkish

producers were receiving record prices, driving up prices on the world market, and pushing up prices received by U.S. growers.

As a result of the higher grower prices, the f.o.b. price for large hazelnuts averaged \$0.50 per pound higher in 2004 than 2003. Since the beginning of the new marketing year in August 2004, the f.o.b. price for large hazelnuts has averaged \$2.55 a pound, in 2003 they averaged \$2.05 per pound (table 12).

Despite tighter supplies this year, domestic shipments of in-shell hazelnuts from August 2004 through February 2005 were 13 percent ahead of last year. Exports, however, which account for most of the shipments, were down 9 percent. Shipments of jumbo/giant and jumbo, in-shell hazelnuts have been strong so far this year, with bigger shipments to Germany, Hong Kong, and Italy than during the same time period last year. There have been smaller shipments, however, of large, in-shell hazelnuts. Hong Kong and Germany, the top two markets for large-sized hazelnuts, have received over 2,000 tons less through February 2005 than 2004.

Table 12--Free-on-board tree nut prices, 2002-04

Month	Almonds			Pecans			Hazelnuts		
	Nonpareil supreme			Fancy halves			Large		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
--Dollars per pound--									
January	--	2.05	2.30	2.15-2.25	3.40-3.50	3.75	1.69	2.05	2.05
February	1.55-1.65	2.05-2.10	2.30	--	3.40-3.50	3.95	1.69	2.05	2.05
March	1.65-1.70	2.05-2.10	--	2.65	3.40-3.50	3.95	1.75	2.05	--
April	1.65-1.72	2.05-2.10	--	2.65	3.40-3.50	3.95	1.82	2.05	--
May	1.66-1.70	2.05-2.10	--	2.65	3.40-3.50	3.95	1.82	2.05	--
June	1.70-1.75	--	2.45	2.65	3.40-3.50	3.95	1.79	2.05	2.55
July	1.60-1.70	--	2.45	--	3.40-3.50	--	1.79	2.05	2.55
August	1.60-1.65	2.15-2.20	2.30-2.35	2.80	3.40-3.50	4.35-4.50	1.79	2.05	2.55
September	1.60-1.65	1.85	--	--	3.40-3.75	5.00	--	2.05	2.55
October	1.60-1.65	1.85	2.70	--	3.40-3.75	5.00	2.20	2.05	--
November	1.60-1.65	2.15-2.20	2.70	2.85	3.75	--	--	2.05	--
December	1.60-1.65	2.15-2.25	2.70	2.85	3.75	--	--	2.05	--
--Dollars per pound--									
Month	Macadamia nuts			Walnuts			Pistachios		
	Style 2			Light halves and pieces			U.S. No. 1 21/25 Ct.		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
--Dollars per pound--									
January	4.00-4.50	4.00-4.50	--	2.10-2.15	2.05-2.15	2.05-2.15	2.00	1.85-1.90	1.85-1.90
February	4.00-4.50	4.00-4.50	--	2.10-2.15	2.05-2.15	1.95-2.05	2.00	1.85-1.90	2.40
March	4.00-4.50	4.00-4.50	--	1.95-2.00	2.05-2.15	1.95-2.05	2.00	1.85-1.90	2.40
April	4.00-4.50	4.00-4.50	--	1.95	2.05-2.15	1.95-2.05	2.00	1.85-1.90	2.40
May	4.00-4.50	4.00-4.50	--	1.95	2.05-2.15	1.95-2.05	2.00	1.85-1.90	2.40
June	--	4.00-4.50	--	1.95-2.00	2.05-2.15	1.95-2.05	2.00	1.85-1.90	2.40
July	4.00-4.50	4.00-4.50	--	2.00-2.10	2.05-2.15	1.95-2.05	2.00	1.85-1.90	2.40
August	4.00-4.50	4.00-4.50	--	2.05-2.15	2.05-2.15	1.95-2.05	2.00	1.85-1.90	2.10
September	--	4.00-4.50	--	2.05-2.15	2.05-2.15	2.20-2.25	2.00	1.85-1.90	2.60
October	4.00-4.50	4.00-4.50	--	2.05-2.15	2.05-2.15	2.20-2.25	2.00	1.85-1.90	--
November	4.00-4.50	4.00-4.50	--	1.95-2.05	2.05-2.15	2.15-2.20	1.90-1.95	1.85-1.90	--
December	4.00-4.50	4.00-4.50	--	1.95-2.05	2.05-2.15	--	1.90-1.95	1.85-1.90	--

-- = Not available.

Source: Food Institute Report, January 2005.

Pecan Production Down; Prices Higher

Pecan production totaled 181 million pounds in 2004, 36 percent less than 2003. The trees this year are on their “off-cycle” in their alternate year bearing pattern. When compared with the last “off-cycle” year, 2002, production is 5 percent higher. At the same time, beginning stocks entering the 2004/05 marketing year were lower than usual coming off of the larger crop in 2003/04, resulting in tight supplies this year.

As a result of the tight supplies this marketing year, grower prices rose 70 percent to \$1.67 per pound, boosting the value of the crop to \$301 million, 9 percent higher than 2003. Prices were highest for New Mexico’s improved variety pecans, averaging 53 cents above the national average price. North Carolina, California, and South Carolina also produced among the highest-valued pecans in 2004.

Due to the higher grower prices in 2004/05, f.o.b. prices for fancy halves pecans averaged 33 percent above 2003/04 from August through December. This year, f.o.b. prices have been in the \$4.35-to-\$5.00 per pound range. During the same period the previous year prices ranged from \$3.40-to-\$3.75 per pound.

Pistachio Production and Grower Price Higher in 2004

The 2004 pistachio crop, forecast at 348 million pounds, was almost 3 times the size of the 2003 crop. Higher yields and 5,000 more bearing acres pushed production 15 percent above 2002, the last “on-cycle” year. At the same time that production was setting a record high, grower prices, at \$1.26 per pound, were 3 percent above 2003 and the highest since 1999. Lower supplies from other major pistachio-producing countries, such as Syria and Turkey, helped boost U.S. prices.

Total pistachio nut shipments so far this season from September 2004 through February 2005 have been behind the past several years due to weak domestic demand. For the first 6 months of this year, 73 million pounds of pistachios have been shipped domestically, 2 percent less than the same time last year, according to data from the California Pistachio Commission. Exports, however, are 88 percent higher than they were for the first 6 months of the year, totaling 72 million pounds. Exports to Europe have been strong so far this season. Shipments to France, Luxembourg, and the Netherlands, which received almost half of all pistachio exports this year, increased 72 percent over the same time last year. Markets receiving assistance under the Market Access Program, administered by USDA’s Foreign Agriculture Service, have been mostly strong. Exports have surged to China and the United Kingdom, but fell to India.

Unfavorable Weather Conditions Result in Smaller Macadamia Nut Crop in 2004

Storm damage to orchards in the South Kona area of Hawaii and heavy rains during flowering lowered macadamia nut production in 2004. NASS forecasts the 2004/05 crop to reach 51 million pounds (wet-in-shell), 4 percent below 2003/04. The number of farms and acres harvested has remained the same for the past 4 years. Due to the affects of the weather, however, yields were below the previous three seasons, bringing down the crop size.

As a result of the smaller crop in 2004, grower prices increased 7 percent from the previous year to \$0.65 per pound. The higher grower price was sufficient to offset the lower production, increasing the crop's value to \$33 million, 3 percent above the last year.

Grower prices were also higher this season due to a smaller crop from Australia, the major producer of macadamia nuts. As a result of drought conditions during 2002 and 2003, Australian production for 2004/05 was down from the two previous marketing years. With Australia's crop normally accounting for about 40 percent of world production, the lower production in 2004/05 brought down world supplies, helping boost prices received by Hawaiian producers on the world market.

Under the U.S.-Australia Free Trade Agreement, the U.S. tariff on macadamia nuts imported from Australia declines from 5.5¢ to 1.3¢ per kilogram for inshell nuts and from 11¢ to 5¢ per kilogram for shelled nuts. The tariffs are to be phased out over 5 years. Under the new tariff, Australia now faces the same rate as most of the other countries that source macadamia nuts to the United States, such as South Africa and Kenya.

Fruit and Tree Nut Trade Outlook

Fresh Citrus Exports Lower in 2004/05 Marketing Season Through January

Export shipments of fresh oranges, lemons, and grapefruit have been lower so far this marketing season than during the same time in 2003/04 (table 13). The effects of weather on the crops have played a role in lower exports from California as well as Florida.

Fresh orange exports were down 24 percent from November 2004 through January 2005. Heavy rains since harvesting began have resulted in intermittent supply shortages. Furthermore, the rains have caused increased incidences of decay in navel orange shipments, especially to Asia, lowering demand from major markets. As a result, exports have been down to most Asian markets, except Japan, as well as to Canada, Mexico, and Australia. Fresh orange exports to South Korea, the second biggest export market after Canada, were almost half the quantity shipped through January last season. At the beginning of this season, Korea would not accept any oranges from Tulare and Fresno counties, the major producers of navel oranges, due to a phytosanitary issue.

The drop in fresh lemon exports from August through January is a result of the lighter crop produced in California's desert region, which supplies much of the export quality lemon crop. Shipments so far this season have been 13 percent below the same time last season.

Table 13--U.S. exports of selected fruit and tree nut products

Commodity	Marketing season	Season-to-date (through January)		Year-to-date change
		2004	2005	
		--- 1,000 pounds ---		Percent
Fresh-market:				
Oranges	November-October	343,149	262,474	-23.5
Grapefruit	September-August	401,074	248,473	-38.0
Lemons	August-July	112,116	97,882	-12.7
Apples	August-July	570,449	679,894	19.2
Grapes	May-April	598,265	658,984	10.1
Pears	July-June	260,917	251,302	-3.7
Peaches (including nectarines)	January-December	1,057	1,096	3.7
Straw berries	January-December	7,703	4,742	-38.4
Sweet cherries	January-December	293	231	-21.0
		--- 1,000 case gallons ^{1/} ---		
Processed:				
Orange juice, frozen concentrate	October-September	27,176	17,474	-35.7
Orange juice, not-from-concentrate	October-September	20,900	23,514	12.5
Grapefruit juice	October-September	11,864	8,934	-24.7
Apple juice and cider	August-July	2,546	2,283	-10.3
Wine	January-December	5,154	6,446	25.1
		--- 1,000 pounds ---		
Raisins	August-July	143,610	136,106	-5.2
Canned pears	August-July	3,930	12,494	217.9
Canned peaches	July-June	74,954	52,525	-29.9
Frozen straw berries	January-December	1,115	1,584	42.1
		--- 1,000 pounds ---		
Tree nuts:				
Almonds (shelled basis)	August-July	405,892	393,229	-3.1
Walnuts (shelled basis)	August-July	90,276	95,399	5.7
Pecans (shelled basis)	September-August	9,751	14,004	43.6
Pistachios (shelled basis)	September-August	22,940	38,760	69.0

^{1/} Single-strength equivalent.

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

Fresh grapefruit exports have been down 38 percent between September 2004 and January 2005 compared with the same period last season. The sharply smaller Florida grapefruit crop this season, due to hurricane damage, reduced the quantity of fruit available for export. Exportable grapefruit was further limited by quality issues, since the heavy winds and rains damaged fruit appearance, reducing the quantity that met export standards. According to Florida's Citrus Administrative Committee, Florida's grapefruit export shipments were 54 percent behind the last two seasons as of the third week of March.

While Florida's exports were down this season, some of the international demand for U.S. fresh grapefruit was met by increased shipments from Texas. With a bigger crop this season, Texas was able to benefit from the supply shortage in Florida and increase its shipments to export markets.

U.S. Imports of Mexican and Chilean Fresh Fruit Up in 2004/05

U.S. shipments of fresh citrus fruit from Mexico increased about 30 percent during August 2004 through January 2005 from the same period last season. Mexico is the major source of fresh limes for the U.S. market since domestic production has fallen off. Mexican shipments, which account for 99 percent of all fresh lime imports so far this season, increased 17 percent from last season (table 14). Mexico has also grown in importance for U.S. lemon imports. Since the beginning of the 2004/05 marketing season in August, Mexican lemon shipments increased by 5 times the quantity shipped in 2003/04, which had already been more than double the quantity shipped in 2002/03. While Mexican lemons accounted for 19 percent of fresh lemon imports into the United States in 2003/04 through January, this season so far, they account for 45 percent of the total.

Chile continues to be the major source of fresh lemon imports during this time period, overtaking Spain and Argentina in terms of quantity shipped. In 2001/02, Argentina and Spain accounted for 63 percent of fresh lemon imports from August through January. Since then, however, Argentine lemons were no longer allowed to be imported into the United States, and Chilean shipments grew. In 2003/04, Spanish shipments fell sharply and while higher this season, account for only 5 percent of the total. With the sharp rise in Mexican lemon imports, which would have a cost advantage over Spain, it may be difficult for Spain to regain its position in the U.S. market in the future.

Spain is the major source of clementine imports into the United States, accounting for about 90 percent of all tangerine imports. Record-setting cold weather this winter damaged Spain's citrus, reducing the quantity of clementines for export. As a result of lower shipments out of Spain, all tangerine imports have been 20 percent lower than last season through January.

Chile is the major source of noncitrus fruit in the U.S. market during the winter months. This season, Chilean grape shipments, which account for about half of all the fruit it ships to the United States during the winter, increased 44 percent over last season. Shipments were also higher than last season for avocados, peaches, and plums.

Table 14--U.S. imports of selected fruit and tree nut products

Commodity	Marketing season	Season-to-date (through January)		Year-to-date change
		2004	2005	
		--- 1,000 pounds ---		Percent
Fresh-market:				
Oranges	November-October	3,701	9,723	162.8
Tangerines (including clementines)	October-September	163,918	130,956	-20.1
Lemons	August-July	29,360	58,809	100.3
Limes	September-August	221,147	264,424	19.6
Apples	August-July	79,989	63,159	-21.0
Grapes	May-April	537,427	555,481	3.4
Pears	July-June	19,138	20,307	6.1
Peaches (including nectarines)	January-December	31,944	61,823	93.5
Bananas	January-December	675,181	649,721	-3.8
Mangoes	January-December	36,493	38,125	4.5
		--- 1,000 sse gallons 1/ ---		
Processed:				
Orange juice, frozen concentrate	October-September	63,293	71,342	12.7
Apple juice and cider	August-July	140,537	143,415	2.0
Wine	January-December	11,819	13,128	11.1
		--- 1,000 pounds ---		
Canned pears	August-July	20,340	21,731	6.8
Canned peaches (including nectarines)	July-June	44,750	50,892	13.7
Canned pineapple	January-December	56,303	75,426	34.0
Frozen straw berries	January-December	8,447	12,901	52.7
		--- 1,000 pounds ---		
Tree nuts:				
Brazil nuts (shelled basis)	January-December	1,730	3,176	83.6
Cashew s (shelled basis)	January-December	23,395	29,196	24.8
Pine nuts (shelled basis)	January-December	1,356	1,296	-4.4
Pecans (shelled basis)	September-August	38,963	48,852	25.4

1/ Single-strength equivalent.

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

Commodity Highlight: Fresh-Market Apples

Top Five Countries Produce More Than Half of World Apples

Over 80 countries around the world grow apples commercially and together produce a total of about 58 million metric tons each year. However, more than half of this total is produced by the top five apple-producing countries. Rapid production growth, particularly during the 1990s, has positioned China as the world's largest apple producer, supplying over one-third of the world's output. Most of its growth may be attributed to acreage expansion as its average yields, although improving, remains well below the world average of about 12,000 pounds per acre. In the United States, average yields are more than twice the yields achieved in China, but it has far less production capacity due to its much smaller production area (fig. 3). Presently, the United States ranks as the second largest apple-producing country, contributing 7 percent of the world total. Rounding out the top five apple-producing countries are Turkey, France, and Iran, each producing about 4 percent of the world total.

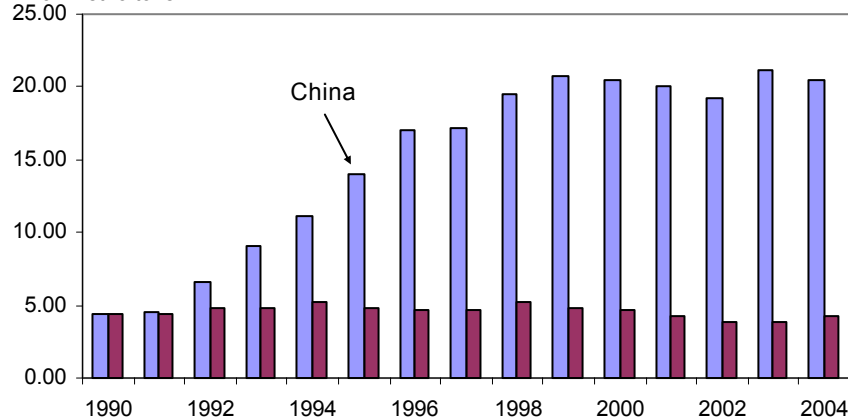
Fresh-Market Apples: A Larger Piece of the Pie

Apples are traditionally eaten as a fresh fruit, although its uses also extend over many processed forms, such as juice and cider, applesauce, frozen, and dried. In recent years, the gap between fresh-market production and processing production has widened. The share of fresh-market production to utilized production averaged 62 percent during 2000-2003, up from over 55 percent during the eighties and nineties. Many growers are finding better opportunities in the fresh market, particularly since the late nineties when increased competition from lower priced imports of Chinese apple juice concentrate led to economic difficulties in the industry, driving down grower prices for juice apples and had ripple effects on the other apple processing sectors. In the United States, the apple juice processing sector receives about half of all the apples produced domestically for processing.

Figure 3

Apple production in China and the United States

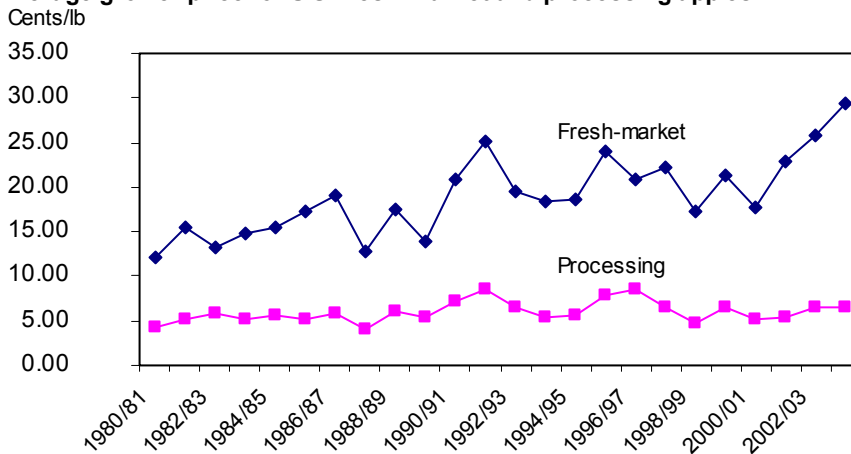
Million metric tons



Source: Food and Agriculture Organization, United Nations.

Figure 4

Average grower price for U.S. fresh-market and processing apples 1/



1/ Follows a August-July marketing season beginning with the first year shown.

Source: National Agricultural Statistics Service, USDA.

The price difference between fresh-market apples and processing apples has grown wider since the 1980s (fig. 4). Growers were paid on average 10 cents per pound and 14 cents per pound more for fresh-market apples in the eighties and nineties, and 18 cents per pound more in recent years. The annual farm value of fresh-market apples averaged \$1.4 billion during 2001-2003, or over 85 percent of the farm value for the U.S. apple crop.

Washington Leads in Production in the United States

Commercial apple production is widespread in the United States, but Washington produces more than half of the Nation’s annual output. There are presently 155,000 acres of apples in production in Washington, or 40 percent of total bearing acreage. As the largest apple-producing State, Washington supplies 65 to 75 percent of all the apples sold in the fresh market. New York, Michigan, California, and Pennsylvania are also major apple-producing States, but a larger share of each of these States’ production is sold to processors. Together these four States supply 15 to 20 percent of U.S. fresh-market apples and 40 to 50 percent of total processing apples. Although about three-quarters of Washington’s production is for fresh use, it also supplies the largest quantity to the processing sector.

Red and Golden Delicious Apples Losing Ground

U.S. consumers have been eating apples in a wider range of varieties over the last decade or so. With only little growth in demand for U.S. apples over the years, growers were encouraged to come up with new marketing strategies, including offering newer varieties to consumers such as Fuji, Gala, Jonagold, Empire, Braeburn, Pink Lady, Cameo, and Pacific Rose. The more traditional varieties include Red Delicious, Golden Delicious, Macintosh, Rome Beauty, Granny Smith, and Jonathan. Domestic production of Fuji and Gala apples was initially established to better opportunities in major export markets, particularly in East Asia where these two varieties are popular. However, the growing presence of lower-

priced apples from China in many Southeast and East Asian markets, along with the rapid expansion in U.S. Fuji and Gala production, drove U.S. apple growers to also seek opportunities for these new varieties in the domestic market.

U.S. apple growers have adopted new varieties mostly by expanding acreage in the late 1980s, and also by replacing traditional varieties with new ones. The Red Delicious and Golden Delicious are still the two most widely produced apples in the United States, but both varieties have seen its share of total production decline. Based on data from the U.S. Apple Association, Red Delicious is expected to account for 27 percent of the 2004/05 U.S. apple crop and Golden Delicious apples 13 percent. Both these shares are down from their 1990 shares of 44 percent and 16 percent, respectively.

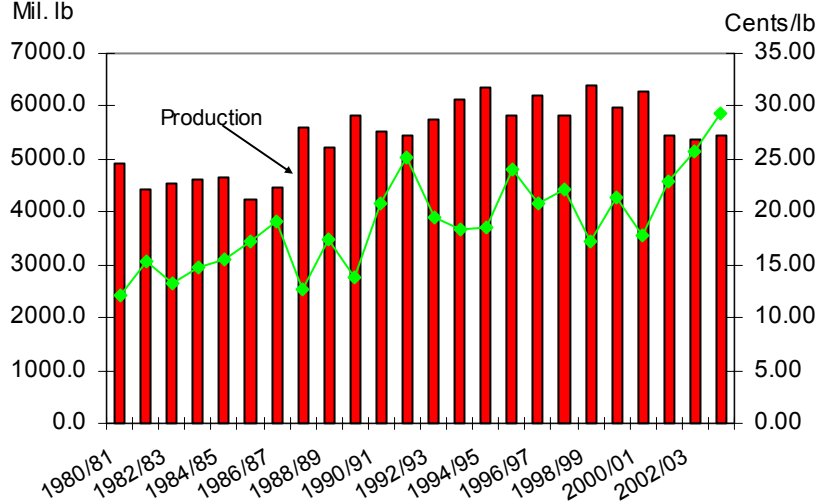
Gala and Fuji production has already surpassed output of traditional varieties, particularly Granny Smith, Rome, Macintosh, Jonathan, York, and Idared which have previously ranked higher. Now, Gala and Fuji are the third and fourth leading apple varieties grown in the United States. Production of Gala has increased nearly fivefold since the early 1990s and Fuji output has more than tripled. Production shares for both varieties also reflect their popularity, increasing from nearly 2 percent in 1993 to between 9 and 10 percent in the last 3 years. Although also gaining in popularity, production of other newer varieties, except Empire, remain relatively small and are not yet reported separately. Grown mostly in the eastern United States and sold primarily for fresh use, Empire ranks number 10 in apple production. Its production in the last 2 years has about doubled since 1990 but has declined from late-1990 levels.

Recent Production Reversing Late-Nineties Declining Trend, Improving Grower Prices

Improved planting and management practices to boost yields, along with an expansion in bearing acreage, helped U.S. apple growers achieve large output levels during much of the nineties. Production growth, however, slowed slightly to an average rate of less than 1 percent each year during the nineties, from 2 percent during the eighties, mostly reflecting new variety plantings that have not yet come into production or were yet to reach full production potential. By late in the decade, large domestic production, increased foreign competition (especially with respect to China), the Asian financial crisis, and the commencement of antidumping issues with Mexico, all combined to depress the overall market for apples in the United States, squeezing grower returns and forcing many marginal growers out of production. In the most recent Census of Agriculture, the number of U.S. farms growing apples decreased from 33,835 in 1997 to 26,853 in 2002.

During the record-production season 1998/99, grower prices for fresh-market apples fell to an average of 17.3 cents per pound, the lowest price since 1988, and processing apple prices fell to 95 cents per pound, also the lowest in the last several years. Bearing acreage has declined each year since then, pushing down production for four consecutive seasons and reaching below-average levels during 2001/02 through 2003/04. Production in 1999/2000-2002/03 declined at an average annual rate of 7 percent, while fresh-market grower prices improved. Higher yields during 2003/04 helped reverse the recent downward trend in production. The 2003/04 U.S. apple crop increased 2 percent from the previous season to 8.7 billion pounds, still

Figure 5
U.S. fresh-market apple production and average grower price
 Mil. lb



Source: National Agricultural Statistics Service, USDA.

below average. Fresh-market grower prices continued to increase, reaching a record average of 29.4 cents per pound. Although bearing acreage is down fractionally for the 2004/05 season, very good yields in many apple-producing States will help bring production back to the large crop size levels of the 1990s, and this could drive down grower prices in both the fresh and processing markets.

Domestic grower prices for fresh-market apples moved inversely with production during most marketing seasons over the last 24 years (fig. 5). Prices declined in years when fresh-market production grew, and prices rose when output fell. More recently (2003/04), the season-average grower price increased 14 percent even with an increase in production. Three consecutive seasons (2001/02-2003/04) of below-average production, partly weather induced and partly due to growers exiting the industry as a result of poor returns during the late nineties, helped in keeping prices strong that season. Previous season inventories in cold storage remained low into 2003/04, aiding in clearing out the market before the new crop season went in full swing. For the 2004/05 season, the U.S. apple crop is expected to reach 10.1 billion pounds, increasing 16 percent from the prior season. Based on the historical share of fresh-market use to total apple production, the Economic Research Service projects about 6.1 billion pounds of this season's production will be for fresh use, up 11 percent from 2003/04. The preliminary estimate for the 2004/05 season-average grower price for all apples (all uses) is 17.7 cents per pound, down from the record-high price of 21.0 cents per pound in 2003/04. Prices received by growers for fresh-market apples for the 2004/05 season through February are down 19 percent on average.

U.S. Fresh Apple Consumption Flat, Exports More Crucial

The variety of fruit available for fresh consumption in the United States has escalated rapidly, especially during the 1990s, limiting the growth in demand for U.S. apples. Expansion of fruit production in Southern Hemisphere countries, particularly in Chile, enhanced the region's export capability, bringing more choices

to U.S. consumers during the winter season when most domestically-grown fruit, except citrus, apples, and pears, are not in season. In addition, the growing ethnic population in the United States has influenced the increased presence of “exotic” or nontraditional fruit in the domestic market. Fresh apple demand in the United States has remained relatively stagnant for over three decades, with consumption averaging around 15 to 19 pounds per person since the 1970s (table 15). The industry has continued to be proactive in their efforts to help boost demand for fresh apples. Apart from building demand for new apple varieties in the domestic market, they have sought to introduce new products that address consumer’s preference for convenience, such as fresh-cut apples, and are engaged in promotional efforts that continue to build on consumers increased awareness of the healthy benefits derived from apple consumption. As part of their campaign to educate consumers about the healthiness of eating apples, the industry has also recently penetrated the fast food service industry. For example, apple dippers (fresh, peeled apple slices apples served with a low fat caramel dipping sauce) are now offered as a new Happy Meal choice at MacDonald’s.

With the lack of demand for fresh apples in the domestic market and the expansion in U.S. production, particularly during the 1980s and 1990s, export markets have grown increasingly important to the U.S. apple industry. They have channeled an increasing share of U.S. fresh-market apples to export markets. This share has risen from an average of 6 percent during the 1970s to 12 percent in the 1980s and to over 20 percent during the 1990s and most recent years. The United States has always been a net exporter of fresh apples, and for over three decades the country’s exports have grown from nearly 250 million pounds, on average, to over 1.3 billion pounds in the past 5 years. Valued at an average of about \$45 million annually, U.S. fresh apple exports account for over one-tenth of total world export volume. The United States previously ranked as the third largest apple exporter in the world, next to France and Italy. However, below-average production in the past 3 years and declining exports to Mexico, its largest foreign market, were largely responsible for limiting recent growth in U.S. fresh apple exports. In 2003, China and Chile surpassed the United States in exports of fresh apples, pushing it down to fourth place. About half of U.S. apple exports go to Mexico, Canada, and Taiwan.

Imports Also Growing

The United States is also among the world’s largest importers of fresh apples. Although still small relative to what is produced domestically, imports are showing a growing presence in the U.S. market. The quantity of fresh apples the United States has sourced globally has more than doubled since the eighties, reaching an average of over 400 million pounds annually during the first 4 years of the new decade. Import’s share of domestic fresh apple consumption has risen from less than 5 percent in 1990/91 to 10 percent in 2003/04.

Chile has emerged as a strong player in the marketing of fresh imported apples in the United States over the past decade as it successfully developed a more export-oriented apple industry and benefited also from the growing demand in the Northern Hemisphere for off-season fruit. Chile is by far the largest foreign source of fresh apples for the United States, accounting for over 40 percent of total import volume. This share is up from over 10 percent during the mid-nineties. Volumes shipped into the United States from Chile surpassed those from Canada by the end of the

1990s, and also those from New Zealand in more recent years. Canada was the number one foreign supplier until 1998 when it switched its rank with New Zealand who had second place. Now, New Zealand accounts for over 30 percent of total import volume and Canada over 20 percent.

Table 15--U.S. fresh apples: Supply and utilization, 1970/71-2004/05

Year 1/	Fresh utilized production	Imports	Total Supply	Exports	Shipments to territories	Utilization	
						Total	Per capita
----- Million pounds -----						Pounds	
1970/71	3,531.5	95.1	3,626.6	102.3	11.0	3,513.3	17.0
1971/72	3,483.9	80.3	3,564.2	118.8	14.3	3,431.1	16.4
1972/73	3,342.0	103.5	3,445.5	149.7	19.3	3,276.5	15.5
1973/74	3,539.4	90.0	3,629.4	181.9	13.3	3,434.2	16.1
1974/75	3,690.5	79.2	3,769.7	232.8	11.4	3,525.5	16.4
1975/76	4,357.0	119.1	4,476.1	236.3	9.4	4,230.4	19.5
1976/77	3,915.8	103.3	4,019.1	267.9	7.4	3,743.8	17.1
1977/78	3,859.6	123.6	3,983.2	316.8	8.5	3,657.9	16.5
1978/79	4,210.4	157.2	4,367.6	337.2	13.1	4,017.3	17.9
1979/80	4,288.6	153.0	4,441.6	545.4	14.8	3,881.4	17.1
1980/81	4,934.1	177.2	5,111.3	697.4	18.6	4,395.3	19.2
1981/82	4,442.2	149.7	4,591.9	682.7	14.4	3,894.8	16.8
1982/83	4,536.7	197.5	4,734.2	629.7	12.6	4,091.9	17.5
1983/84	4,620.5	233.5	4,854.0	544.2	9.5	4,300.3	18.3
1984/85	4,654.6	241.9	4,896.5	528.3	9.9	4,358.3	18.4
1985/86	4,221.7	314.6	4,536.3	390.2	9.9	4,136.2	17.3
1986/87	4,463.6	310.2	4,773.8	445.7	14.1	4,314.0	17.8
1987/88	5,610.1	262.8	5,872.9	780.7	10.3	5,081.9	20.8
1988/89	5,230.3	256.3	5,486.6	602.5	-	4,884.1	19.8
1989/90	5,822.3	228.0	6,050.3	773.9	-	5,276.3	21.2
1990/91	5,515.0	229.7	5,744.7	818.0	-	4,926.7	19.6
1991/92	5,447.0	303.0	5,750.0	1,132.0	-	4,618.0	18.1
1992/93	5,767.0	259.4	6,026.4	1,082.2	-	4,944.2	19.1
1993/94	6,123.9	238.9	6,362.8	1,390.6	-	4,972.2	19.0
1994/95	6,366.2	286.9	6,653.1	1,526.7	-	5,126.4	19.4
1995/96	5,840.2	383.4	6,223.6	1,217.2	-	5,006.4	18.7
1996/97	6,206.9	373.3	6,580.2	1,518.3	-	5,061.9	18.7
1997/98	5,814.5	356.4	6,170.9	1,209.1	-	4,961.8	18.1
1998/99	6,412.5	344.2	6,756.7	1,487.8	-	5,268.9	19.0
1999/00	5,995.7	377.5	6,373.2	1,175.2	-	5,198.1	18.5
2000/01	6,265.5	358.9	6,624.4	1,667.1	-	4,957.3	17.5
2001/02	5,467.5	361.4	5,828.9	1,353.1	-	4,475.8	15.6
2002/03	5,366.0	412.4	5,778.4	1,144.9	-	4,633.5	16.0
2003/04	5,441.8	472.7	5,914.5	986.3	-	4,928.2	16.8
2004/05 F	6,049.3	399.9	6,449.2	1,134.3	-	5,314.9	17.8

F=Forecast

1/ Marketing year begins in August of the first year shown.

Source: Economic Research Service, USDA.

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Related Websites

Fruit and Tree Nuts Briefing Room,

<http://www.ers.usda.gov/Briefing/FruitAndTreeNuts/>

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