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Fruit and Tree Nuts Outlook

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Citrus Production Forecast Down in Florida Due to Hurricanes, But Up in California in 2004/05

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Approved by the World Agricultural Outlook Board.

The first forecast for the 2004/05 citrus crop estimated citrus production to decline 23 percent from last season and 17 percent from two seasons ago. The large drop in Florida's production this season drives overall production down.

The U.S. Department of Agriculture forecasts Florida's orange production at 7.9 million short tons, 27 percent smaller than last season, the smallest since 1993/94. The reduced availability of oranges for processing is projected to reduce the quantity of orange juice produced this season by 24 percent. Due to record-high beginning stocks, and an expected increase in imports, overall juice supply is expected to decline only 5 percent from last season, to 2.3 billion gallons, single-strength equivalent.

California's navel orange harvesting got underway by mid-October. Rains temporarily slowed harvesting as labor could not get into the fields. Growers received above-average prices for their fresh navels for the first month of the season. As the season progresses, however, average grower prices can be expected to be below last season due to the large crop and lower quality of the fruit.

Florida's grapefruit production is forecast to be 63 percent lower than last season, driving down total U.S. grapefruit production by 51 percent. Due to the smaller crop, Florida packinghouse and processing prices for grapefruit have been running above last season, according to industry data.

Grapefruit production in 2004/05 is forecast to be 4 percent higher in Texas and 4 percent lower in California than last season. The smaller crop out of Florida is expected to benefit Texas and California producers through higher prices this season.

Lemon production for 2004/05 is forecast at 832,000 short tons, 4 percent above last season. Grower prices started the new season higher than average. As the season progresses, prices are expected to fall.

Price Outlook

Grower Prices Shoot Up in October

The index of prices received by growers for fruit and tree nuts rose in September and again in October. The September index of 138 (1990-92=100) is the highest for any September since 1996 (fig. 1). Prices rose for all the major fruit harvested in September. The October index of 153 is 22 percent higher than the index of 121 in October 2003, which more closely reflected the average for the month in previous years. Higher prices for citrus, grapes, and pears offset lower apple and strawberry prices.

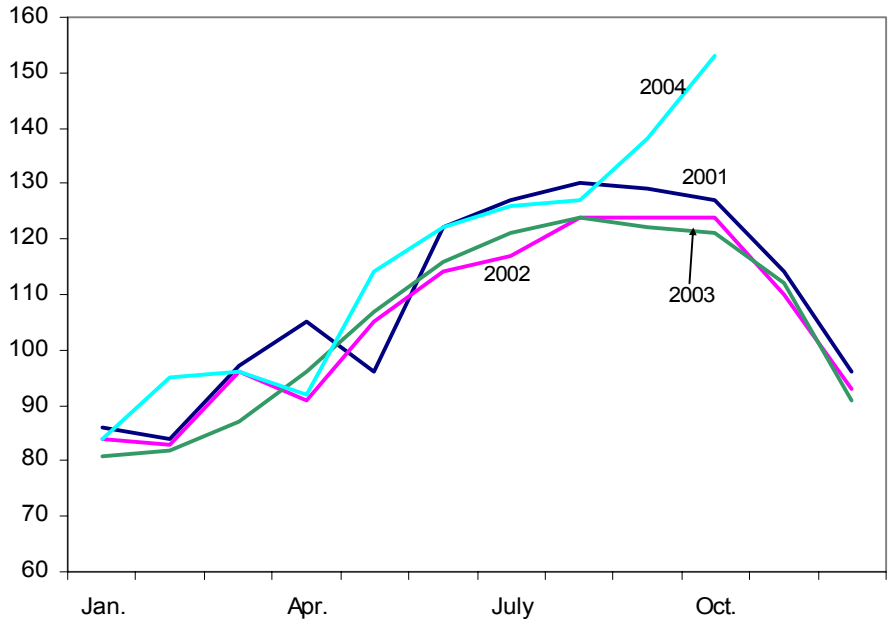
Orange grower prices rose sharply this September and October. Fresh-market prices rose 180 percent this September over last September and 268 percent this October over last October (table 1). This spike in prices reflects the ending of the Valencia season and the slow start to the navel harvest in California. While the new crop of navel oranges is forecast to be big this season, early harvesting was hampered by rain, temporarily halting harvesting and producing a supply shortage in the market.

Grower prices for all oranges rose even more sharply than those for fresh this year. In September, all orange prices rose 339 percent above last September, and in October, they rose 624 percent above last October. The higher price can be attributed to the absence of Florida oranges in the market during these months for this season due to weak demand from juice processors. The presence of Florida

Figure 1

Index of prices received by growers for fruit and tree nuts

1990-92=100



Source: National Agricultural Statistics Service, USDA.

oranges in the market affects the price of all oranges, but has a much smaller impact on fresh orange prices. The majority of Florida's oranges are sold for processing. The lower price of oranges for processing and the larger quantity of processing oranges compared with fresh-market oranges drives down the all orange price below the fresh-market price. Without Florida oranges in the market, less fruit went to processing. As a result, the all orange price so far this season was more reflective of fresh-market prices.

The price for grapefruit shot up in October, with prices for fresh grapefruit from Texas and California the highest on record. The sharp decline in Florida's grapefruit crop because of fruit loss due to hurricanes this past September, created a shortage in the market. Strong demand, especially from large packinghouses that strive to maintain a continuous supply to meet end-users (such as retailers), needs, drove up prices.

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

Commodity	2003		2004		2003-04 Change	
	September	October	September	October	September	October
	--Dollars per box--				Percent	
Citrus fruit: 1/						
Grapefruit, all	--	10.18	11.23	19.06	--	87.2
Grapefruit, fresh	--	12.56	12.00	22.04	--	75.5
Lemons, all	10.72	8.36	15.41	13.10	--	22.2
Lemons, fresh	14.27	11.31	20.56	18.34	--	28.5
Oranges, all	3.12	2.89	13.68	20.91	338.5	623.5
Oranges, fresh	4.94	5.75	13.81	21.18	179.6	268.3
	--Dollars per pound--					
Noncitrus fruit:						
Apples, fresh 2/	0.27	0.28	0.27	0.27	0.4	-2.9
Grapes, fresh 2/	0.31	0.31	0.37	0.44	19.4	42.6
Peaches, fresh 2/	0.25	--	0.29	--	17.6	--
Pears, fresh 2/	0.15	0.21	0.25	0.24	67.9	17.2
Strawberries, fresh	0.87	1.00	0.99	0.89	14.2	-11.2

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.

Retail Prices Up This Fall for Many Fresh Fruit

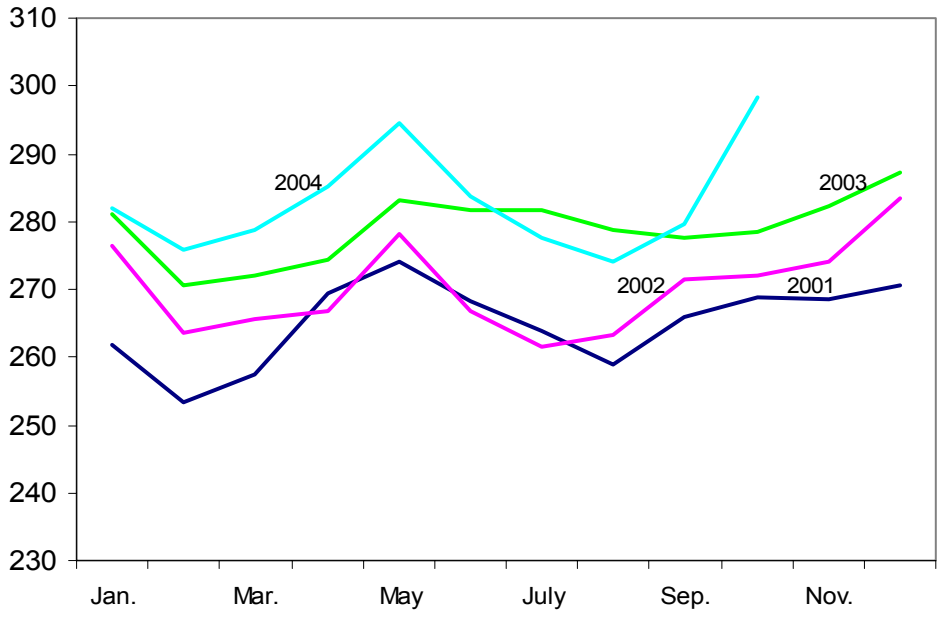
The Consumer Price Index (CPI) for fresh fruit rose nearly 1 percent in September 2004 from last September to 279.7 (1982-84=100) as consumers paid higher prices at the retail level for fresh oranges, grapefruit, lemons, Red Delicious apples, peaches, and Thompson seedless grapes (fig. 2). Only retail prices for fresh bananas and strawberries declined.

The October CPI rose 7 percent over October 2003 as well as from this September. Retail prices rose from last October for grapefruit, Red Delicious apples, strawberries, and Thompson seedless grapes. While apple, strawberry, and grape crops were large this season, fruit quality was reported high, and this may have helped drive up prices. Moreover, the shortage of citrus fruit in the market this October, probably played a stronger role in boosting prices for these commodities.

Figure 2

Consumer Price Index for fresh fruit

1982-84=100



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

Table 2--U.S. monthly retail prices, selected fruit, 2003-2004

Commodity	Unit	2003		2004		2003-04 Change	
		September	October	September	October	September	October
		--- Dollars ---		--- Dollars ---		--- Percent ---	
Fresh:							
Valencia oranges	Lb	0.594	0.598	0.709	--	19.4	--
Navel oranges	Lb	--	1.141	1.142	--	--	--
Grapefruit	Lb	0.858	0.824	0.895	0.976	4.3	18.4
Lemons	Lb	1.371	1.393	1.470	1.380	7.2	-0.9
Red Delicious apples	Lb	1.023	0.936	1.085	0.992	6.1	6.0
Bananas	Lb	0.494	0.490	0.488	0.485	-1.2	-1.0
Peaches	Lb	1.444	--	1.492	--	3.3	--
Strawberries 1/	12-oz pint	1.986	2.246	1.843	2.600	-7.2	15.8
Thompson seedless grapes	Lb	1.597	1.877	1.605	2.346	0.5	25.0
Processed:							
Orange juice, concentrate 2/	16-fl. oz	1.896	1.975	1.815	1.933	-4.3	-2.1
Wine	liter	6.894	6.179	6.864	7.534	-0.4	21.9

-- 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.

New Season Citrus Crop Almost A Quarter Smaller Than Last Season

The first forecast for the 2004/05 citrus crop estimated citrus utilized production at 12.7 million tons, a 23-percent decline from last season, and 17 percent from two seasons ago. The forecast was as of October 1, and takes into account fruit loss caused by the three hurricanes that affected citrus producing areas in Florida during August and September. The hurricanes caused the large drop in Florida's production this season, driving overall production down. The smaller Florida crop is expected to have its strongest effect on consumer demand for grapefruit products and tangerines. The U.S. market is not as dependent on Florida oranges for fresh-use where only a small impact is expected on consumer availability and prices for fresh oranges.

Florida Citrus Crop Projected Down 32 Percent in 2004/05

The fall of 2004 was devastating for Floridians, when four major category hurricanes struck the State from several different angles. The State's citrus crop, the largest in the country, was hit from the West and East, affecting most citrus varieties. The Southwest counties were the only area of the State's citrus region that was not directly in the path of any of the hurricanes this summer. As a result, this season, the State will be providing a smaller quantity of oranges, grapefruit, tangerines, and Temples. The impact on U.S. consumers will be felt differently for each of the commodities. For example, Florida usually provides 80 percent of the U.S. supply of grapefruit. This season, however, the crop is expected to account for only about 60 percent of U.S. production. The reduced grapefruit supply is expected to be felt strongly by Florida's overseas markets as well, since Florida is a major world exporter. While the United States can often depend on imports to alleviate supply deficiencies for many commodities, the strong presence of Florida grapefruit in world production, accounting for about a third of the total, indicates it may be difficult to obtain sufficient imported supplies from other countries to meet U.S. consumer demands this year for the product.

Florida also experienced a decline in its orange and tangerine production this season. Because California supplies most of the fresh oranges for U.S. markets, and its crop is projected to be larger this season, the loss in Florida's production is unlikely to have a strong effect on fresh-market availability. Most of Florida's oranges are used for orange juice. Large juice stocks at the beginning of the new season are likely to buffer any decline in production due to the smaller crop. A smaller tangerine crop, this season, will likely result in increased imports of tangerines, both of varieties similar to those produced here coming from Mexico, and of clementines from Spain and other countries.

Florida Orange Production Forecast 27 Percent Lower Than Last Season

Florida's biggest orange-production county, Polk County, had the misfortune to be in the path of three hurricanes this fall. All of the hurricanes, except for Ivan, intersected in Lake Wales, in Polk County. Including Polk, three of the four biggest orange-production counties were in the path of at least one hurricane. Only Hendry, Collier, and Lee counties escaped the direct path of any of the hurricanes. As a result of the effects of the hurricanes, both due to direct hits as well as from heavy

rains and winds in areas outside the immediate vicinity of the storms, the first forecast of this season's crop size from USDA's National Agricultural Statistics Service (NASS) puts this production at 7.9 million short tons, 27 percent less than last season, and 13 percent smaller than two seasons ago (table 3). This season's crop would be the smallest since 1993/94 when the industry was still recovering from two severe freezes in the late 1980s-early 1990s. This season's crop, however, if realized, would be larger than during a freeze year. It is very likely, however, that this season's crop will be smaller than this first forecast. The effects on the fruit and trees are likely to be felt throughout this season with expected higher-than-usual fruit droppage, reducing the amount available for marketing, as well as into subsequent seasons as trees that survived wind, rain, and flooding damage recover their strength.

Orange Juice Supplies Expected To Be Down Slightly

While the reduced availability of oranges for processing is projected to reduce the quantity of orange juice produced this season by 24 percent, overall supply is expected to be 2.3 billion gallons, single-strength equivalent, 5 percent below last season (table 4). Record-high beginning juice stocks entering the new season, along with projected higher imports, particularly of frozen concentrated orange juice (FCOJ), will help offset the fall in production. The greatest impact on juice production this season will likely be on not-from-concentrate (NFC) orange juice.

While FCOJ production uses imported orange juice to blend to meet color and flavor requirements, imports are not used for NFC production. At the same time, chilled juice stocks (largely NFC but also includes reconstituted juice) are lower than last season. If a significant quantity of this season's crop does not meet the quality requirements for making NFC, production could be further reduced from present projections. Since NFC makes up a large portion of retail sales, consumers purchasing NFC at grocery stores may be facing slightly higher prices. In fact, the industry has reported that a major brand has already increased retail prices. As the season progresses, however, any anticipated price increases may be tempered by competition by major producers for market share.

Table 3--Oranges: Utilized production, 2001/02-2003/04 and indicated 2004/05 1/

Crop and State	Utilized			Forecast 2004/05	Utilized			Forecast 2004/05
	2001/02	2002/03	2003/04	as of 10-2004	2001/02	2002/03	2003/04	as of 10-2004
	--1,000 boxes 2/--				--1,000 short tons--			
Oranges:								
Early/mid-season and navel 3/:								
Arizona	270	200	300	270	10	8	12	10
California	32,000	42,000	38,000	46,000	1,200	1,575	1,426	1,725
Florida	128,000	112,000	126,000	92,000	5,760	5,040	5,670	4,140
Texas	1,530	1,350	1,420	1,650	65	57	60	70
Total	161,800	155,550	165,720	139,920	7,035	6,680	7,168	5,945
Valencia:								
Arizona	250	270	170	170	9	10	6	6
California	19,500	20,000	14,000	16,000	731	751	526	600
Florida	102,000	91,000	116,000	84,000	4,590	4,095	5,220	3,780
Texas	210	220	230	250	9	9	10	11
Total	121,960	111,490	130,400	100,420	5,339	4,865	5,762	4,397
Total	283,760	267,040	296,120	240,340	12,374	11,545	12,930	10,342

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

The processing industry has had a slow start this season, with only about three processors reported operating by early November, compared with seven to eight processors reported by the same time during the previous 3 seasons. As a result, little price data are available.

With so few processors operating early in the season and large juice stocks, demand for processing oranges has been low. As of November 7, the Florida Citrus Administrative Committee (CAC) reported that only 219,000 1-3/5 bushel boxes of oranges were shipped to processors, compared with 4.8 million boxes last season and 4.5 million boxes in 2002/03. As a result of the low demand, processors are paying about the same price for oranges on the spot market as they were at the same time last season. Once demand picks up, prices should rise in response to the smaller crop. However, consumer demand for orange juice also needs to increase above last season, to draw down stocks and increase processors willing to pay a higher price for oranges than during a more average season.

Industry data indicate that juice movement has increased this season compared with the comparable period last season for both FCOJ and NFC juice. While it is still early in the season, should demand continue as it has during the first month of the season, processors will need to turn to this year's crop to meet demand, especially for NFC, and improve the outlook for growers' revenues.

Table 4--United States: Orange juice supply and utilization, 1990/91-2004/05

Season 1/	Beginning stocks	Production	Imports	Supply	Exports	Domestic consumption	Ending stocks 2/	Per capita consumption
	Million SSE gallons 3/							Gallons
1990/91	225	876	320	1,422	94	1,170	158	4.6
1991/92	158	930	286	1,374	107	1,096	170	4.3
1992/93	170	1,207	298	1,675	117	1,308	249	5.1
1993/94	249	1,133	425	1,807	105	1,342	360	5.1
1994/95	360	1,257	240	1,857	117	1,306	434	4.9
1995/96	434	1,271	221	1,927	127	1,383	417	5.2
1996/97	417	1,437	295	2,149	149	1,436	564	5.3
1997/98	564	1,555	281	2,400	146	1,575	679	5.7
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	1,430	189	2,318	181	1,444	692	5.0
2002/03	692	1,246	291	2,229	103	1,421	705	4.9
2003/04	705	1,471	223	2,399	123	1,434	842	4.9
2004/05 4/	842	1,124	300	2,266	114	1,502	650	5.0

1/ Season begins in December of the first year shown. As of 1998/99, season begins the first week of October. 2/ Data may not add due to rounding. Beginning with 1994/95, stock data include chilled as well as canned and frozen concentrate juice. 3/ SSE = single-strength equivalent. 4/ Forecast.
Source: Economic Research Service and Foreign Agricultural Service, USDA.

Brazil's Orange Juice Production Projected Up, Potential for Highest in 5 Years

Brazil is projected to produce 1.9 billion gallons of orange juice this season, 21 percent higher than last season, according to USDA's Foreign Agricultural Service (table 5). Good weather conditions this growing season resulted in a good second blossoming on the orange trees and excellent fruit setting and development. Because it was the second blossoming that produced most of the fruit, processing began later than usual this season. While the peak of juice production was expected to occur in September and October, processing this year is expected to go through January.

Although production is expected to be higher this season, very low beginning stocks resulted in supplies being only 4 percent above last season. Since processors are expected to want to rebuild inventories, USDA forecasts that exports will remain unchanged from last season. These estimates were made in June 2004 before the damage to Florida's crop was known. Since demand by Florida's processors for imported juice for blending purposes may be higher this season, Brazilian processors could potentially increase exports above projected levels. Even without any change, the quantity projected for export is similar to recent years and supplies should be plentiful for Brazil's major export markets in Europe. While meeting demand in Europe, along with higher demand in the United States, the world market price for FCOJ could rise above last season.

Table 5--Brazilian FCOJ production and utilization, 1991-2004

Season 1/	Beginning stocks	Production	Domestic consumption	Exports	Ending stocks 2/
			--Million SSE gallons 3/--		
1991	177	1,334	25	1,390	96
1992	96	1,610	25	1,532	148
1993	148	1,572	25	1,546	148
1994	148	1,583	31	1,482	218
1995	218	1,525	25	1,476	242
1996	242	1,620	24	1,660	177
1997	177	1,954	22	1,778	331
1998	331	1,665	26	1,586	418
1999	418	1,912	22	1,821	486
2000	486	1,683	21	1,778	370
2001	370	1,375	21	1,511	212
2002	212	1,904	21	1,757	337
2003	337	1,535	25	1,760	87
2004	87	1,859	25	1,760	161

1/ Season begins in July. 2/ Data may not add due to rounding.
3/ SSE = single-strength equivalent. To convert to metric tons at 65 degrees brix, divide by 1.40588.
Source: Foreign Agricultural Service, USDA.

Plenty of Fresh Oranges Projected This Season From California

In September, NASS forecast a record navel orange crop from California. Survey results reported a higher fruit set than last season with variable fruit size. Warm weather later into the season this year could lower fruit quality and reduce the quantity meeting export specifications.

Navel harvesting got underway by mid-October. Rains temporarily slowed the harvest as labor could not get into the fields. Cooler nighttime temperatures improved the color of the fruit; however, the industry was still reporting color problems in mid-November. Also by mid-November some packinghouses had begun to export navels, mostly to Japan.

F.o.b. prices were below last year's prices for large, fancy grade navels in mid-November, according to the industry. Prices for smaller-sized fancy fruit, however, were higher. For example, f.o.b. prices for fancy size 48 navel oranges ranged from $12 to $14 per carton (7/10 bushel) compared with $17 to $18 last season. For the smallest sized, 138s, this season's prices ranged from $11 to $12, while last season prices ranged from $7 to $8. Prices for all sizes of choice grade navels were above last season. As the season progresses, average grower prices can be expected to be below last season due to the large crop and lower quality of the fruit.

Florida's Grapefruit Supply Greatly Diminished This Season

Florida's grapefruit production is forecast to be 63 percent lower than last season, driving down total U.S. grapefruit production by 51 percent. Both Hurricanes Frances and Jeanne made landfall in Florida's major grapefruit region, hitting hardest in the two counties with the largest acreage, St. Lucie and Indian River. The Indian River region, which runs from the bottom of Volusia County to the upper part of Palm Beach County on Florida's East Coast accounted for 73 percent of grapefruit tree acreage in the last survey conducted by the Florida Agricultural Statistics Service in September. With these counties in the direct path of two hurricanes, it is not surprising that so much of the crop was damaged.

Table 6--Grapefruit: Utilized production, 2001/02-2003/04 and indicated 2004/05 1/

Crop and State	Utilized			Forecast for 2004/05	Utilized			Forecast for 2004/05
	2001/02	2002/03	2003/04	as of 10-2004	2001/02	2002/03	2003/04	as of 10-2004
	--1,000 boxes 2/--				--1,000 short tons--			
Florida, all	46,700	38,700	40,900	15,000	1,985	1,646	1,738	638
Colored	27,800	22,500	25,000	11,000	1,182	957	1,063	468
White	18,900	16,200	15,900	4,000	803	689	675	170
Arizona	160	130	140	200	5	4	5	7
California	5,900	5,600	5,400	5,200	198	187	181	174
Texas	5,900	5,650	5,700	5,900	236	226	228	236
Total	58,660	50,080	52,140	26,300	2,424	2,063	2,152	1,055

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

2/ Net pounds per box: California and Arizona-67, Florida-85, and Texas-80.

Source: National Agricultural Statistics Service, USDA.

As would be expected, the quantity of Florida grapefruit shipped to the fresh market is down from the previous two seasons. According to data from the CAC, through the first week of November, about a quarter less grapefruit has been shipped so far compared with the 2003/04 and 2002/03 seasons. Red grapefruit account for about 75 percent of all shipments. F.o.b. packinghouse prices for red grapefruit have been running at about twice that of last season for all size grapefruit, according to industry data. Medium size 32 grapefruit prices range from $18 to $19 for a 4/5 bushel carton on November 8, 2004, compared with $8 to $9 on November 6, 2003. The industry also reports that prices for large-sized grapefruit have started to come down as more large-sized fruit have been entering the market.

Grapefruit processing does not usually get fully underway until later in the season. During an average season, such as the past two seasons, about 1.1 million 1-3/5 bushel boxes of grapefruit would be shipped to processors by the first week in November. This season, however, only 190,000 boxes have been shipped.

Stocks of frozen concentrated grapefruit juice (FCGJ) were about 13 percent lower in early November than the same time last year. Much of the juice is in bulk form, with inventories of retail packed FCGJ below last season. Stocks of chilled grapefruit juice, both reconstituted and NFC were 17 percent higher. While stocks may be high at present, it is only the beginning of the new marketing year. The sharply smaller crop will likely make it difficult for processors to maintain large stocks and this season is likely to end with much lower stocks than in recent years. Spot prices paid by processing plants for grapefruit this season are significantly higher than last season. For example, for grapefruit with a sugar/acid ratio of 8.0, processors were paying 20 to 35 cents per pound solid in 2003/04 for white grapefruit and 25 cents per pound solid for red grapefruit. This season, processors are paying $1.80 for white and red grapefruit.

The higher prices grapefruit growers are receiving this season are a turn around from the past few seasons when growers faced continually low prices for their fruit. Unfortunately, the higher prices will not be enjoyed by growers who lost significant portions of their crop. These prices are unlikely to increase overall industry revenues since the quantity available for sale is so diminished.

Smaller Grapefruit Supplies Likely To Increase Prices For Texas, California, and Arizona Producers

Grapefruit production in 2004/05 is forecast to be 4 percent higher in Texas and 4 percent lower in California than last season. Arizona's production, which accounts for only 1 percent of the total quantity produced in the United States, is forecast 40 percent higher than last season.

The smaller crop out of Florida is especially beneficial to Texas producers. With a bigger crop this season, Texas growers usually would expect to receive lower prices. With a tight market, however, there will be increased demand for their grapefruit, and grower prices could be considerably above the past few seasons. While harvesting was just beginning in October, growers were already seeing the effect of Florida's shortfall on their fruit prices. For their fresh grapefruit, Texas growers were receiving an average of $31.92 per 80-lb box. The highest price growers received in any previous October was $14.05 in 1998. Last October,

growers received $10.64 per box. In response to reduced supplies and higher prices, Texas growers are likely to send more of their production to fresh-market than in a typical year. California and Arizona growers also have the potential for higher overall returns from grapefruit this season. They do not market the bulk of their grapefruit until after Florida and Texas have completed their harvests. While California and Arizona growers may see a potential to fill some of the gap left by Florida, their ability to take advantage of this situation may be limited by the availability of labor for harvesting. Even without moving up its harvest, the smaller crop out of California and the already strong prices as the fruit enters the market should keep prices high for later-season grapefruit.

Lemon Production Forecast Up Despite Slightly Reduced Acreage

Lemon production for 2004/05 is forecast at 832,000 short tons, 4 percent above last season (table 7). California's production is expected to reach 731,000 tons, an 8 percent increase, while Arizona's crop is expected to produce only 91,000 tons, 20 percent less than last season.

Over the past 3 years, the number of bearing acres producing lemons in California has been declining. In 2004/05, 44,000 acres are in production, down 2 percent from last season, and 11 percent lower than 2000/01 and 2001/02. This season, tree yields are forecast at 11 percent higher than last season, with 886 cartons (38 pounds per carton) per acre expected to be harvested.

Grower prices started off the new season higher than last season. This season, prices started out at $20.56 per 76-lb box in September, falling to $18.34 per box in October. Last season's September prices averaged $14.27 per box and fell to $11.31 in October. While prices are substantially above last season, they are lower than the two seasons preceding 2003/04. High prices so far this season are attributed to the smaller Arizona crop, which provides much of the early-season supply. As harvesting progresses in California, prices are likely to decline. High quality fruit this season, however, should help maintain good grower prices, even with a bigger crop.

Fresh lemon export demand has started off 2004/05 slightly above the first two months of last season. Demand is strong from the number one market, Japan, but down to the next two major markets, Canada and South Korea. The high quality of the lemons this season should help boost exports throughout this marketing year.

Table 7--Lemons: Utilized production, 2001/02-2003/04 and forecast for 2004/05 1/

State	Utilized			Forecast for 2004/05 as of 10-2004	Utilized			Forecast for 2004/05 as of 10-2004
	2001/02	2002/03	2003/04		2001/02	2002/03	2003/04	
	--1,000 (76-lb) boxes--				--1,000 short tons--			
Arizona	2,800	3,000	3,000	2,400	106	114	114	91
California	18,300	24,000	18,000	19,500	695	912	684	741
Total	21,100	27,000	21,000	21,900	801	1,026	798	832

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

Source: National Agricultural Statistics Service, USDA.

Tangerine Production Expected To Be Down in 2004/05

Due to damage from the hurricanes that hit Florida this fall and lower production out of Arizona, tangerine production in 2004/05 is expected to reach 351,000 tons, 19 percent lower than last season (table 8). Florida's production, which normally accounts for 70 to 75 percent of total domestic production, is expected to be 28 percent lower than last season, and the present estimate accounts for 64 percent of total production. The present forecast for Florida tangerine production, 118,750 tons of early variety tangerines, and 104,500 tons of later-variety Honey tangerines would be the lowest production since 1995/96. Only California is expected to produce more tangerines this season than last.

As a result of the much smaller crop this season, Florida's shipments of early-variety fresh tangerines have been nearly half what is generally shipped by the first week of November. The 487,000 boxes of fresh tangerines and 98,000 boxes of processing tangerines reported by the CAC to have been shipped by November 6, accounted for 75 percent of the crop, leaving much less available for harvesting at this time than in past seasons. Fallglo and Sunburst tangerines, the two major early varieties produced in Florida, sustained considerable tree damage and fruit loss from the hurricanes. Fruit size are reported larger than average, boosting the number of boxes projected to be harvested. Much of the Honey tangerine crop is located in the southern part of Florida which did not sustain direct hurricane damage. Fruit size are projected slightly larger than average. Honey tangerines are not harvested until later in the season.

In California, growers began increasing their plantings of clementine tangerines beginning in the mid-1990s, often as replacement for Valencia oranges, which have been declining in demand due to changes in consumer preferences. In response to strong consumer demand for imported clementines, California growers saw an opportunity to increase their returns and be the major source of domestic production. California's climate is similar to the Mediterranean region where most of the present production exists. As a result, in 2004, clementine tangerines account for 31 percent of tangerine bearing-acreage in California, second only to the more traditional Satsuma variety. Acreage planted to Satsuma, on the other hand, have been declining and in the next few years, once the newer clementine plantings begin bearing fruit, they will surpass the Satsuma as the top tangerine variety produced in California.

Since 2002, California tangerine growers further diversified their tangerine plantings, putting in a murcott variety that matures later than most clementines. In this way, they can extend their season for several more months. Even with all the new plantings of trees, tangerine acreage in California is still a far fourth among citrus crops, behind navels, Valencias, and lemons.

The smaller tangerine crop coupled with the large-sized Florida fruit this season drove up tangerine prices to the highest October price since 1995, when a similarly small crop was produced. The average price this October of $15.06 per box for fresh tangerines was 59 percent higher than last season when a near-record crop was produced, and 32 percent below October 2003. With so few early tangerines left to be harvested in Florida and a smallest Honey tangerine crop since 2000/01, higher prices are likely to continue throughout this season.

Imports of Spanish clementines are expected to be up in 2004/05 over the past season. Demand should be strong for imported tangerines with fewer domestic varieties available. At the same time, the Spanish clementine crop is projected by FAS to be 13-percent larger than last season. Spain is the world's number one clementine exporter.

Southeastern Pecan Crops Damaged by Hurricane Frances

Hurricane Frances brought heavy winds and rains to Georgia, blowing pecans off the trees and knocking trees down. Since the nuts were still at least a month away from maturity, those that fell to the ground were not salvageable. Georgia, which usually produces more pecans than any other State, is expected to have a smaller crop this year than Texas, the second biggest producer this year. The last time this occurred was in 1992. This year, Georgia is forecast to produce 40 million pounds of pecans, 47 percent lower than last year and 11 percent lower than 2002.

NASS estimated the 2004 pecan crop at 189.3 million pounds, 33 percent below last season but 9 percent above 2002. This year is an off year in the pecan trees' production cycle, and the crop was already expected to be smaller than last season before Georgia's crop was damaged. The crops out of Texas and New Mexico are forecast to be bigger than the previous off year, 2002, moderating this season's decline. Oklahoma is forecast to have the biggest crop this season since 1999.

Pecan stocks are up this year from 2003, as they usually are after big-crop years and industry end-users' anticipation of the smaller crop in an off production year. The quantity of shelled and inshell pecan stocks during this off year, however, is considerably lower than in 2002, the last off year. According to the NASS *Cold Storage Report* for October, as of September 30, 2004, stocks of shelled pecans were 53 percent smaller than 2002, and stocks of inshell pecans were 27 percent smaller. USDA's Agricultural Marketing Service reported that demand was strong for pecans suitable for giftpack, fundraising, and retail sales. Commercial shellers' demand was weaker. As the season progresses and stocks are drawn down, commercial shellers' demand should strengthen, boosting grower prices this year.

Table 8-Other citrus: Utilized production, 2001/02-2003/04 and forecast for 2004/05 1/

Crop and State	Utilized			Forecast for 2004/05 as of 10-2004	Utilized			Forecast for 2004/05 as of 10-2004
	2001/02	2002/03	2003/04		2001/02	2002/03	2003/04	
	--1,000 boxes 2/--				--1,000 short tons--			
Tangelos:								
Florida	2,150	2,350	1,000	1,400	97	105	45	63
Tangerines:								
Arizona	620	430	690	500	23	16	25	19
California	2,200	2,800	2,700	2,900	83	105	101	109
Florida	6,600	5,500	6,500	4,700	314	261	309	223
Total	9,420	8,730	9,890	8,100	420	382	435	351
Temples:								
Florida	1,550	1,300	1,400	800	70	59	63	36

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

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

Source: National Agricultural Statistics Service, USDA.

More Kiwifruit Supplies in 2004/05, Prices Likely Lower

Prospects for the 2004/05 California kiwifruit crop appears to be better than earlier expected, with a marketable crop that could potentially be about 20 percent larger, based on California Kiwifruit Commission (CKC) pre-season estimates. USDA's production estimate for last season was 50.8 million pounds--the smallest crop since 1986. Initially, some pollination problems during the spring of 2004 had growers believe that this season's production will yield plenty of small-size fruit. However, the crop is showing a good range in fruit size, with the quantity of small-size fruit appearing on vineyards not as heavy as previously projected. There will likely be fewer fruit in the large size range compared with last season, but expectations are that significant quantities of large-size fruit will be produced throughout the State. Should industry expectations for production growth in 2004/05 do materialize, production will be higher than the previous three seasons.

Most of the production increase during 2004/05 will likely come from the northern growing region of the State. In that region, thinning and culling undersize fruit is expected to sharply reduce crop size from the initial fruit set. However, the initial fruit set was very large to begin with, and the remaining fruit are sizing up well, therefore still allowing for significant quantities of packable fruit from the region. The CKC reports the average packable fruit count for the north is 568 fruit per vine which translates to about 1,800 to 1,900 tray equivalents per acre during 2004/05 (depending on fruit size), compared with 1,257 tray equivalents during 2003/04. In the southern growing region, packable fruit will be slightly higher than last season but because fruit is sizing slightly smaller than last year, the average tray equivalent per acre will likely be unchanged from last season, at around 1,800.

Harvesting of the 2004/05 California kiwifruit crop started earlier than normal like many other crops. Packing was well underway by the end of September, with more than half the crop already packed as of late October. The larger supplies are already being reflected in the prices growers are receiving for their crop. F.o.b. shipping-point prices for size 36 fruit in October ranged from $12.00 to $14.00 per 9 kilogram (19.8 pound) containers loose Hayward U.S. One, compared with $15.00 to $16.00 the same time last year. Supply increases in November, the month when shipments typically peak, will likely continue to put downward pressure on prices.

Imports continue to play a big role in the U.S. kiwifruit market, supplying over 60 percent of total U.S. kiwifruit supplies in recent years. Cumulative U.S. imports of fresh kiwifruit from October 2003 through September 2004 were up 7 percent from a season ago, totaling 83.3 million pounds. The increase in imports helped supplement the lower production in 2003/04, the result of poor pollination in many growing areas due to the heavy rains in the spring of 2003 and to the removal of vineyards with mature and less productive vines to replace with a promising new variety—the Gold Kiwifruit. The increase in imports came mostly from New Zealand who exported 30 percent more kiwifruit to the United States during 2003/04 than the previous season. Near optimal weather during the growing period contributed to not only a larger 2004 crop in New Zealand but also fruit quality and fruit size was much improved from the previous year when the crop experienced significant frost damage. Chile accounted for nearly half of all the imports in 2003/04, but their shipments declined 1 percent. Shipments were also lower from

key European Union suppliers, such as Italy and Greece due to weather-induced lower production.

Demand for California kiwifruit in international markets was strong in 2003/04. Despite lower domestic supplies, U.S. kiwifruit exports in 2003/04 rose 20 percent from the previous season. About 98 percent of the exports went to 6 countries—Mexico, Canada, South Korea, Japan, Taiwan, and New Zealand. Except for Canada, exports to these countries were all significantly higher, especially to Taiwan (up 184 percent) and New Zealand (up 354 percent). Strong marketing efforts by the industry also helped boost exports in several markets in South and Central America. In trying to meet the strong demand in export markets, fewer supplies were left available for the domestic market, pushing consumption down. U.S. kiwifruit consumption in 2003 declined to its lowest level since 1989, reaching only 0.37 pound per person. This season's expected increase in domestic production and indications of fruit size and fruit quality being improved from last year brings more promise for the U.S. kiwifruit industry to increase its sales in both the domestic and export markets during 2004/05.

Outlook Bright for Tree Nut Exports in 2004/05

International demand for U.S. tree nuts is likely to be strong for the 2004/05 marketing year. Projected large crops of almonds, walnuts, and hazelnuts, despite the fact that this would typically be the off year in their production cycle, will provide ample supplies available for export. While the initial estimate for the 2004/05 pistachio crop is not yet available, this is the on-year in the crops' production cycle. Since growing conditions have been reported as being good this year in California, the pistachio crop is likely to be large as well. The large crops should hold prices close to last year, boosting demand in export markets. Poor growing conditions this year in Spain, Europe's major almond-producer, will drive up demand from Germany and Spain for U.S. almonds. A smaller hazelnut crop this year in Turkey provides favorable opportunities to U.S. growers, helping maintain and even boosting U.S. grower prices during a season with high production.

Fresh orange exports in 2003/04 were 3 percent lower than in 2002/03 because of weak demand from major export markets in Canada, Japan, and Hong Kong (table 9). Shipments rose to South Korea, the second largest export market, even though it banned oranges from Tulare and Fresno Counties in April 2004 after reportedly finding the fungus *Septoria citri* on some shipments. The ban had little effect on U.S. shipments to South Korea last season because it was put into effect in April, after most of the navel crop had been marketed. South Korea has announced that it will lift its ban on fresh orange imports from Fresno and Tulare counties just in time as the new season navel crop harvest gets underway. While the technical aspects of the export protocol are still being worked out, the expected removal of the ban is welcoming news to the industry, because South Korea is the second largest export market after Canada.

Table 9--U.S. exports of selected fruit and tree nut products

Commodity	Marketing season	Season-to-date (through September) 2003	Season-to-date (through September) 2004	Year-to-date change
		--- 1,000 pounds ---		Percent
Fresh-market:				
Oranges	November-October	1,386,965	1,342,657	-3.2
Grapefruit	September-August	4,924	6,247	26.9
Lemons	August-July	16,238	16,470	1.4
Apples	August-July	135,596	111,636	-17.7
Grapes	May-April	298,589	367,348	23.0
Pears	July-June	77,487.8	76,638.7	-1.1
Peaches (including nectarines)	January-December	249,030	222,724	-10.6
Strawberries	January-December	170,936	161,888	-5.3
Sweet cherries	January-December	96,190	86,864	-9.7
		--- 1,000 sse gallons 1/ ---		
Processed:				
Orange juice, frozen concentrate	October-September	42,352	60,744	43.4
Orange juice, not-from-concentrate	October-September	60,662	62,239	2.6
Grapefruit juice	October-September	38,293	42,322	10.5
Apple juice and cider	August-July	744	600	-19.4
Wine	January-December	65,623	76,051	15.9
		--- 1,000 pounds ---		
Raisins	August-July	44,969	55,323	23.0
Canned pears	August-July	995	2131	114.1
Canned peaches	July-June	27,443	18,719	-31.8
Frozen strawberries	January-December	16,075	17,146	6.7
		--- 1,000 pounds ---		
Tree nuts:				
Almonds (shelled basis)	August-July	105,374	110,132	4.5
Walnuts (shelled basis)	August-July	10,497	13,560	29.2
Pecans (shelled basis)	September-August	2,001	3,600	79.9
Pistachios (shelled basis)	September-August	1,161	4,425	281.1

1/ Single-strength equivalent.
Source: Bureau of the Census, U.S. Department of Commerce.

Fresh Orange and Lemon Imports Up This Year

U.S. imports of fresh oranges rose 6 percent for the 2003/04 marketing season through September over the same period the previous season (table 10). Imports were predominantly of navel oranges during the summer months when domestic orange production consists only of Valencia oranges. South Africa and Australia provide most of the navel oranges, with their production counter-seasonal to the United States. Shipments from South Africa have grown over the past few years, and this season, for the first time, they overtook Australia as the largest shipper of navel oranges to the U.S. market. With the new season navel crop getting underway, shipments from the Southern Hemisphere come to an end. Much of their navel harvest is completed and the U.S. crop dominates the markets.

Lemon imports rose 73 percent during the first 2 months of the 2004/05 season over the same period last season. During the early months of the domestic lemon season, a large portion of the crop comes from Arizona. With a 20-percent decline in Arizona's lemon crop this season, the domestic market turned to imported lemons to meet consumer demand. As harvesting moves more fully into California, supplies will ease up and the demand for imported lemons will fall off. By season's end, lemon imports are likely to be below last season because of the large, high-quality California crop.

Table 10--U.S. imports of selected fruit and tree nut products

Commodity	Marketing season	Season-to-date (through September) 2003	Season-to-date (through September) 2004	Year-to-date change
		--- 1,000 pounds ---		Percent
Fresh-market:				
Oranges	November-October	111,169	118,317	6.4
Tangerines (including clementines)	October-September	188,529	202,531	7.4
Lemons	August-July	25,527	44,070	72.6
Limes	September-August	48,762	54,694	12.2
Apples	August-July	39,830	27,127	-31.9
Grapes	May-April	814	628	-22.8
Pears	July-June	3,036	3,516	15.8
Peaches (including nectarines)	January-December	123,227	139,894	13.5
Bananas	January-December	6,521,838	6,405,057	-1.8
Mangoes	January-December	500,133	531,509	6.3
		--- 1,000 sse gallons 1/ ---		
Processed:				
Orange juice, frozen concentrate	October-September	266,261	207,108	-22.2
Apple juice and cider	August-July	59,655	44,092	-26.1
Wine	January-December	116,089	119,418	2.9
		--- 1,000 pounds ---		
Canned pears	August-July	4,511	5,382	19.3
Canned peaches (including nectarines)	July-June	21,343	16,239	-23.9
Canned pineapple	January-December	557,969	533,330	-4.4
Frozen strawberries	January-December	111,107	110,720	-0.3
		--- 1,000 pounds ---		
Tree nuts:				
Brazil nuts (shelled basis)	January-December	14,717	23,294	58.3
Cashews (shelled basis)	January-December	172,281	221,069	28.3
Pine nuts (shelled basis)	January-December	4,095	7,321	78.8
Pecans (shelled basis)	September-August	1,423	1,507	5.9

1/ Single-strength equivalent.

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

Contacts and Links

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