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Fruit and Tree Nuts Outlook

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2006/07 U.S. Citrus Crop Forecast Smaller Than A Season Ago

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Approved by the World Agricultural Outlook Board.

Grower prices for early fall fruit, especially lemons, oranges, and apples were among the highest reported for these crops. Retail prices increased in September and again in October for fresh grapefruit, lemons, Thompson seedless grapes, and strawberries. The higher monthly prices for grapefruit and lemons reflect the ending of the 2005/06 crop and the beginning of the 2006/07 crop

Smaller crops are forecast this season for oranges, lemons, tangerines and tangelos. Only the grapefruit crop is forecast to be bigger. In Florida, orange, tangerine, and tangelo crops are expected to be smaller, the grapefruit crop is forecast bigger. In California, all its citrus crops except tangerines are likely to be smaller this season, and all of Arizona's crops are forecast down. Only Texas is looking at a good year for its citrus, with expected bigger crops for both oranges and grapefruit.

The 2006/07 orange crop is forecast to total 7.9 million tons. If realized, it would be the smallest crop since 1990/91. California's 2006/07 orange crop is forecast to be the smallest since 1998/99. The smaller crop and reported good-quality fruit are likely to push average fresh-market orange prices above last season. Florida's 2006/07 orange crop is forecast to be 9 percent smaller than last season. Its smaller crop is expected to result in the lowest quantity of orange juice produced since the freeze years in the late 1980s, indicating higher orange juice retail prices for this season.

The 2006/07 grapefruit crop is forecast to reach 1.6 million tons, 27 percent bigger than last season and the biggest in 3 years. Florida's and Texas's industries report that fruit quality is very good this season, which will help maintain strong grower prices despite the bigger crop.

The 2006/07 lemon crop is forecast to be 9 percent less than last season. While prices are likely to increase due to the smaller crop, smaller-sized fruit may moderate any increase.

While the tangerine crop is forecast to be down 10 percent from last season, grower prices began the new season at the lowest level since 2000.

Price Outlook

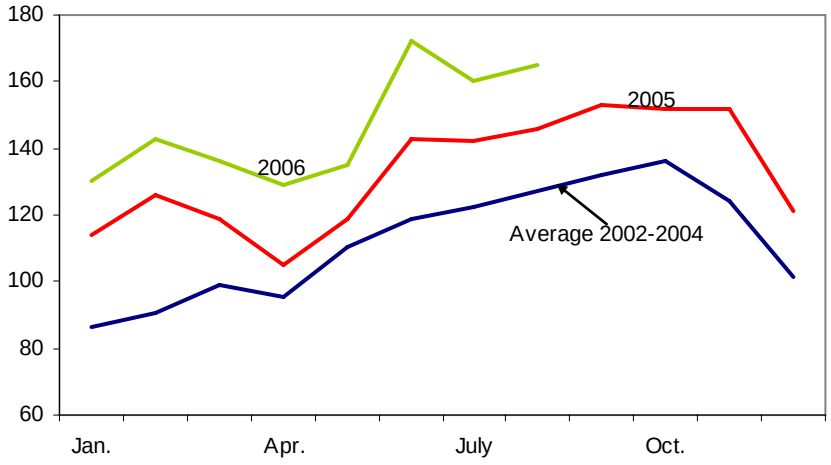
Early Fall 2006 Fruit Prices Among the Highest In Years

The index of prices received by fruit growers reached 172 in September and 177 in October (1990-92=100), the highest indices for these 2 months in the price series. Prices for early fall fruit, especially lemons, oranges, and apples were among the highest reported for these crops.

In September, the grower price for lemons and oranges from California shot up by over 100 percent each because of short supplies due to a slow start to the 2006/07 crop season and forecasted smaller crops (table 1). Adverse weather conditions during the spring and summer of 2006 resulted in slower maturing fruit and smaller tree sets. As a result, fewer new season fruit were available for marketing at the same time that the Valencia orange harvest from last season was mostly completed. Prices were also higher this September over last for fresh grapes, peaches, and apples. California's grape season is winding down and the smaller fresh crop this year compared with the 2005 crop has brought among the highest prices growers have received. Higher apple prices are likely a result of this year's smaller crop as well as strong demand due to a short supply of other domestic fruit in the market.

October grower prices rose above September for most fresh citrus, except oranges, and pears. While October prices for fresh oranges are down from September as some new-season crop began entering the market, they are still over double last October due to smaller available supply and are likely to remain above last year throughout this season. The entry of 2006/07 Florida grapefruit into the market this October brought a monthly increase in prices, however, prices increased from the same time last year as the California crop winds down.

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



Source: *Agricultural Prices,* National Agricultural Statistics Service, USDA.

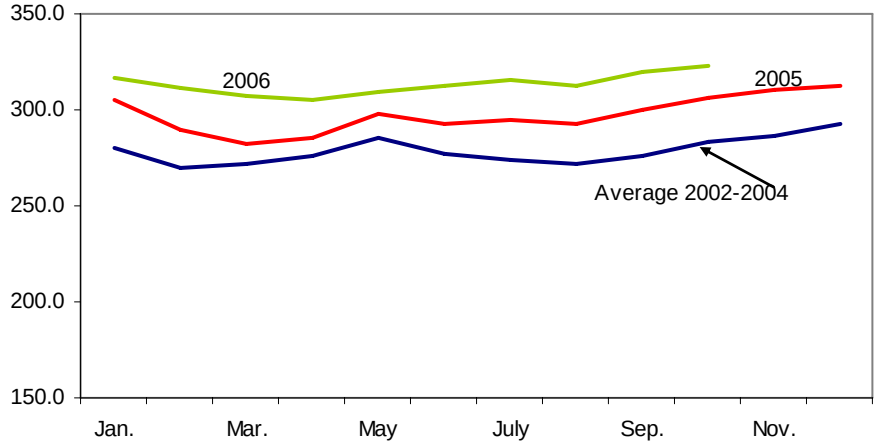
Consumers Pay More for Fresh Fruit This Fall

The Consumer Price Index rose in September to 320.3 and again in October to 323.1 (1982-84=100), after declining slightly in August (fig. 2). The indices for each of these 2 months are higher than any other month this year, and the highest in the CPI series. The CPI averaged 313.4 per month so far this year, an increase of 18.8 points over January through October 2005 and the biggest point increase since 1999. The CPI first exceeded 300 in November 2004, but this September was the first time it exceeded 320.

The higher CPI for September and October 2006 over the same time last year was mostly driven by higher retail prices for most fresh fruit, except bananas, peaches and strawberries (table 2). During this time of year, consumer purchases are strongest for the noncitrus fruit, such as apples and grapes, and is the beginning of the demand for citrus. Lower peach prices would have a lesser impact on the index because of the small quantity of fruit left in the markets during these months.

Retail prices increased in September and again in October for fresh grapefruit, lemons, Thompson seedless grapes, and strawberries. The higher monthly prices for grapefruit and lemons reflects the ending of the 2005/06 crop and the beginning of the 2006/07 crop, with some delays in harvesting creating supply gaps and increasing prices. Similarly, the higher price for Thompson seedless grapes was driven by the ending of the season during a year with reduced supplies.

Figure 2
Consumer Price Index for fresh fruit
1982-84=100



Source: Bureau of Labor Statistics, U.S. Dept. of Labor (http://www.bls.gov/data/home.htm).

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

Commodity	2005		2006		2005-06 Change	
	September	October	September	October	September	October
	-------Dollars per box-------				Percent	
Citrus fruit: 1/						
Grapefruit, all	16.77	10.69	13.01	16.26	-22.4	52.1
Grapefruit, fresh	18.72	16.20	14.48	18.07	-22.6	11.5
Lemons, all	10.88	9.32	26.38	27.65	142.5	196.7
Lemons, fresh	13.42	12.07	31.34	34.04	133.5	182.0
Oranges, all	4.29	4.04	14.48	16.28	237.5	303.0
Oranges, fresh	8.14	8.67	22.04	18.91	170.8	118.1
	-------Dollars per pound-------					
Noncitrus fruit:						
Apples, fresh 2/	0.309	0.288	0.399	0.373	29.1	29.5
Grapes, fresh 2/	0.310	0.305	0.435	0.365	40.3	19.7
Peaches, fresh 2/	0.288	0.372	0.340	--	18.1	--
Pears, fresh 2/	0.270	0.220	0.256	0.304	-5.4	38.0
Strawberries, fresh	0.843	0.850	0.776	0.697	-7.9	-18.0

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: *Agricultural Prices,* National Agricultural Statistics Service, USDA.

Table 2--U.S. monthly retail prices, selected fruit, 2005-2006

Commodity	Unit	2005		2006		2005-06 Change	
		September	October	September	October	September	October
		--- Dollars ---		--- Dollars ---		--- Percent ---	
Fresh:							
Valencia oranges	Lb.	0.880	0.904	1.077	--	22.4	--
Navel oranges	Lb.	1.363	1.389	1.483	1.423	8.8	2.5
Grapefruit	Lb.	1.208	--	1.228	1.235	1.7	--
Lemons	Lb.	1.485	1.465	1.650	1.775	11.1	21.2
Red Delicious apples	Lb.	0.967	0.940	1.256	1.138	29.9	21.1
Bananas	Lb.	0.485	0.491	0.479	0.489	-1.2	-0.4
Peaches	Lb.	1.553	--	1.485	--	-4.4	--
Anjou pears	Lb.	--	--	--	--	--	--
Strawberries 1/	12-oz. pint	2.146	2.188	2.019	2.405	-5.9	9.9
Thompson seedless grapes	Lb.	1.662	2.022	1.846	2.230	11.1	10.3
Processed:							
Orange juice, concentrate 2/	16-fl. Oz.	1.782	1.806	2.013	2.015	13.0	11.6
Wine	liter	7.271	8.575	7.444	8.013	2.4	-6.6

-- Insufficient marketing to establish price.
1/ Dry pint.
2/ Data converted from 12 fluid ounce containers.
Source: Bureau of Labor Statistics, U.S. Dept. of Labor (http://www.bls.gov/data/home.htm).

Smaller Citrus Crop Forecast for 2006/07; Consumers Likely To See Higher Prices in the Market

The U.S. Department of Agriculture's National Agricultural Statistics Service released its initial full forecast for the 2006/07 citrus crop on October 12. The results of the surveys NASS conducted in the major citrus-producing States suggest smaller crops are likely this season for oranges, lemons, and specialty citrus such as tangerines and tangelos. Only the grapefruit crop is forecast to be bigger. In Florida, the major citrus-producing State, orange, tangerine, and tangelo crops are expected to be smaller, with only grapefruit production forecast up. In California, all its citrus crops except tangerines are likely to be smaller. All of Arizona's crops are expected to be smaller. Only Texas is looking at a good year for its citrus, with forecasted bigger crops for both oranges and grapefruit. This is good news for Texas growers, since they are likely to reap the benefits of overall higher prices in light of the lower total production.

Orange Crop Forecast To Be Smallest in 16 Years

The 2006/07 orange crop is forecast to total 7.9 million tons, 11 percent less than last season (table 3). If realized, it would be the smallest crop since 1990/91. The effects of a late frost in California this past spring reduced fruit set, and together with declining bearing acreage and the residual effects of back-to-back hurricane seasons in Florida contributed to the overall decline in production.

California's 2006/07 orange crop is forecast at 1.7 million tons, 20 percent lower than last season. The crop is likely to be the smallest since 1998/99, when a severe freeze reduced the crop by almost half. The navel orange crop, which accounts for 72 percent of the total, is expected to decline 27 percent from last season. The Valencia orange crop is expected to be 8 percent larger than last season, but 37 percent lower than 2 seasons ago, as growers continue to reduce Valencia acreage.

Table 3--Oranges: Utilized production, 2003/04-2005/06 and forecast for 2006/07 1/

Crop and State	Utilized			Forecast 2006/07	Utilized			Forecast 2006/07
	2003/04	2004/05	2005/06	as of 10-2006	2003/04	2004/05	2005/06	as of 10-2006
	--1,000 boxes 2/--				--1,000 short tons--			
Oranges:								
Early/mid-season and navel 3/:								
Arizona	300	240	250	200	12	9	9	8
California	39,500	44,000	45500	33,000	1,481	1,650	1,706	1,238
Florida	126,000	79,100	75000	72,000	5,670	3,560	3,375	3,240
Texas	1,420	1,500	1400	1,540	60	64	60	65
Total	167,220	124,840	122,150	106,740	7,223	5,283	5,150	4,551
Valencia:								
Arizona	170	190	200	150	6	7	8	6
California	11,000	20,500	12000	13,000	413	769	450	488
Florida	116,000	70,700	72900	63,000	5,220	3,182	3,281	2,835
Texas	230	270	200	240	10	11	9	10
Total	127,400	91,660	85,300	76,390	5,649	3,969	3,748	3,339
All oranges	294,620	216,500	207,450	183,130	12,872	9,252	8,898	7,890

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. A small quantity of tangerines is also included in Texas' data.
Source: *Crop Production Report*, National Agricultural Statistics Service, USDA.

California's navel crop provides the bulk of fresh oranges to the U.S. market during the winter months. The smaller crop this season is attributed to a frost last spring which reduced the number of fruit per tree. The frost and a heat spell this past summer have produced smaller sized fruit thus far this season as well. As the season progresses, however, fruit size is expected to increase given good weather conditions. The industry reports that the navels are of high quality this season which will help boost demand despite Americans' preferences for larger-sized fruit. Given an increase in the size of the fruit and the reported good quality, a larger share of the navel crop will be going to the fresh market this season compared with last season.

Fresh-market orange prices are likely to average above last season in light of the forecast smaller crop and reported good quality. Quality will also be a major factor in boosting export demand, which in turn factors into the expected higher prices.

Smaller Florida Orange Crop Should Boost Orange Juice Prices in 2006/07

The 2006/07 Florida orange crop is forecast at 6.1 million tons, 9 percent smaller than last season. The early-to mid-season crop, including navel oranges, is forecast at 3.2 million tons, down 4 percent from 2005/06. The late-season Valencia orange crop is forecast at 2.8 million tons, down 14 percent. Warm, dry conditions throughout Florida during the late summer and fall months have matured fruit a few weeks ahead of last season. Most of the early-harvested oranges have gone to the fresh market. Processing plants during early October, when Florida's season begins, were mostly receiving packinghouse eliminations. More plants have begun to open in November, however, during the first week more than three-quarters of the fruit harvested was still going to the fresh market where growers can receive higher prices. With the slow start to California's fresh orange crop, Florida growers have been able to help fill some of the supply gap, especially on the East Coast.

The smaller Florida orange crop this season is expected to result in the smallest quantity of orange juice produced since the freeze years in the late 1980s. USDA's Economic Research Service forecasts 2006/07 orange juice production at 858 million single-strength equivalent (sse) gallons (table 4). Coupled with the lowest beginning juice stocks in a decade, supply this year is likely only to reach 1,693 million sse gallons, the lowest quantity since 1992/93. This level of supply is dependant on importing 26 percent more orange juice than last season, most of which comes from Brazil in the form of frozen concentrated orange juice (FCOJ). Given that the demand for FCOJ has been declining in recent years, only about 40 percent of this season's orange crop is forecast to be used to make FCOJ, compared with about 80 percent a decade ago.

Consumer demand for orange juice is likely to continue to weaken as it has the past three seasons. Higher retail prices, due to tight supplies, are expected to drive average consumption down 2 percent to 4.2 gallons per person in 2006/07. Demand for FCOJ and FCOJ that is reconstituted and sold as chilled juice (RECON) is likely to be more affected by the higher prices than demand for not-from-concentrate orange juice (NFC). NFC is higher priced than the other forms of juice. Those who consume NFC have shown their willingness to pay more for the juice, for its convenience and for what they perceive to be fresher. ACNielsen Scantrack data

Table 4--United States: Orange juice supply and utilization, 1990/91 to date

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	256	2,110	148	1,398	564	5.2
1997/98	564	1,555	281	2,400	150	1,571	679	5.7
1998/99	679	1,236	350	2,265	147	1,585	534	5.7
1999/00	534	1,507	339	2,380	147	1,588	645	5.7
2000/01	645	1,439	258	2,342	122	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	1,464	223	2,392	123	1,447	822	4.9
2004/05	822	980	358	2,159	119	1,430	609	4.8
2005/06	609	985	299	1,894	138	1,286	470	4.3
2006/07	470	858	365	1,693	120	1,273	300	4.2

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: Prepared by the Economic Research Service, USDA.

show that in 2005/06, retail sales of NFC declined only fractionally from 2004/05 despite a 4-percent increase in its already premium price to $5.44 per gallon. Sales of RECON orange juice fell 12 percent in light of an 8-percent season-to-season price increase. Even with the larger price increase, at $4.01 per gallon, RECON orange juice was still $1.43 cheaper than NFC. Yet, consumers bought 372.4 million gallons of NFC and only 303.3 million gallons of RECON. As this trend is likely to continue into this season, the decrease in demand for orange juice is likely to be strong in the frozen and reconstituted juice category and less so in the NFC category.

Brazil's orange juice production is expected to increase 6 percent this season to 1.9 billion sse gallons, according to data from the USDA's Foreign Agricultural Service (table 5). Due to small beginning juice inventories as a result of short supply last season, the quantity of orange juice available for export is expected to be up only about 1 percent, to 1.9 billion sse gallons. Brazilians do not purchase much processed orange juice so most of what they produce is exported. The FAS Attache report from Brazil indicates that growers are attempting to negotiate higher prices for their fruit, which may translate into higher juice prices. The orange juice shipped to the United States also faces higher duties this season, as a result of anti-dumping duties applied to Brazilian FCOJ, with rates varying by processor. Despite the expected higher prices in the U.S. market, demand still is likely to be strong for Brazilian orange juice due to the reduced domestic production.

Biggest Grapefruit Crop in Three Years Expected in 2006/07

The 2006/07 grapefruit crop is forecast to reach 1.6 million tons, 27 percent bigger than last season and the biggest in three years (table 6). Although large relative to the past two seasons, the new crop is 28 percent smaller than the 2003/04 crop and the third smallest since 1949/50. Production increased in Florida and Texas but declined in California and remained the same as last season in Arizona.

Table 5--Brazilian FCOJ production and utilization, 1991-2005

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	1,618	25	1,852	79
2004	79	2,084	28	1,992	142
2005	142	1,807	32	1,877	39
2006	39	1,919	37	1,894	28

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 140588.
Source: *Brazil Citrus Semi Annual 2006* Attache Report, Foreign Agricultural Service, USDA.

Table 6--Grapefruit: Utilized production, 2002/03-2004/05 and indicated 2005/06 1/

Crop and State	Utilized 2003/0	Utilized 2004/05	Utilized 2005/06	Forecast for 2006/07 as of 10-2006	Utilized 2003/04	Utilized 2004/05	Utilized 2005/06	Forecast for 2006/07 as of 10-2006
	--1,000 boxes 2/--				--1,000 short tons--			
Florida, all	40,900	12,800	19,300	26,000	1,738	545	820	1,106
Colored	25,000	9,400	12,800	17,000	1,063	400	544	723
White	15,900	3,400	6,500	9,000	675	145	276	383
Arizona	140	140	100	100	5	5	3	3
California	5,800	6,100	6,000	5,700	194	204	201	191
Texas	5,700	6,600	5,200	6,700	228	264	208	268
Total	52,540	25,640	30,600	38,500	2,165	1,018	1,232	1,568

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: *Crop Production Report*, National Agricultural Statistics Service, USDA.

Florida's grapefruit crop accounts for 71 percent of total production. About 65 percent of the crop is colored--pink or red grapefruit. The average number of colored grapefruit per tree is higher this season than 6 of the past 10 seasons, contributing to the forecast of a 33 percent increase over last season. Fruit size is projected to be slightly smaller than average. The average number of white grapefruit per tree is slightly lower than past seasons but fruit size is projected to be above average, which is a very important attribute for determining demand in Japan, its major export market. The Florida industry reports that fruit quality is very good this season which will help maintain strong prices for growers despite the bigger crop.

A big issue facing Florida grapefruit growers this coming season is the increased presence of citrus canker which is putting pressure on fresh sales. Because of the spread of citrus canker from hurricanes the past two seasons, USDA's Animal and Plant Health Inspection Service will not allow Florida grapefruit to be sold in other citrus-producing States, as a measure to prevent canker's spread. While this can have an adverse effect on demand by reducing the market size, much of the crop is sold in the heavily populated East Coast. With the fruit quality high, demand will stay strong in this area and may make up for much of the loss from important markets like California and Texas. So far, Florida producers have been able to assure their export markets that the grapefruit they are shipping is canker-free and no countries have placed any extra requirements on the fresh shipments.

Texas is the next biggest grapefruit producer in the United States, and well-known for its red varieties. Texas is forecast to produce 268,000 tons of grapefruit. If realized it will be the biggest crop since 2000/01. Texas growers will be able to pick up some of Florida's lost markets in the West, which should help support their prices. Wet conditions from numerous rainfalls and humidity have kept harvesters out the groves, delaying the harvest despite the fruits' maturity.

By the end of the second week of November, Florida and Texas had each shipped about 11 percent of its grapefruit crop. About two-thirds of the Florida crop was packed for fresh use, with the fruit that did not meet fresh-market requirements going to processing plants. The reported excellent exterior quality of Florida's crop and large size of Texas' grapefruit should result in a greater share of the crop going to the higher valued fresh market.

Grapefruit Juice Production Forecast Higher for 2006/07, Lowering Price Pressure

ERS forecasts that, with Florida's bigger grapefruit crop, grapefruit juice production will increase 8 percent this season to 86 million sse gallons (table 7). Increased domestic production is likely to decrease the demand for imported grapefruit juice and supplies are expected to rise 7 percent to 129 million sse gallons. Although both grower and retail prices are likely to drop some this season in response to supplies, sluggish domestic demand for grapefruit juice in recent years is likely to continue and per capita consumption is forecast to remain at 0.21 gallons. Two factors, however, may help boost demand this season. The first is the expected new promotional program from the Florida Department of Citrus for grapefruit and the second is the USDA announcement that USDA will purchase up to 34.8 million pounds of grapefruit juice to donate to child nutrition and other domestic food assistance programs. Slightly stronger demand is expected from export markets.

Smaller Lemon Crop Forecast in California and Arizona

NASS forecast the 2006/07 lemon crop to total 855,000 tons, 9 percent less than last season and 2 percent smaller than in 2004/05 (table 8). California's crop, which makes up about 85 percent of the total crop, is forecast to be 6 percent smaller than last year. Arizona's crop is forecast to be 26 percent smaller than in 2005/06, but last year's crop was bigger than most in recent years.

Table 7--Grapefruit juice: Supply and utilization, 1995/96 to date

Season 1/	Supply				Utilization			
			Beginning		Ending		Consumption	
	Production	Imports	stocks	Total supply	stocks	Export	Total	Per capita
	-- Million gallons, single-strength equivalent --							Gallons
1995/96	171	1	72	244	66	27	151	0.56
1996/97	192	0	66	258	86	21	151	0.55
1997/98	166	0	86	252	68	18	167	0.60
1998/99	171	1	68	240	54	24	161	0.58
1999/2000	203	5	54	263	82	33	148	0.52
2000/01	183	1	82	266	75	39	152	0.53
2001/02	179	0	75	255	84	36	135	0.47
2002/03	140	0	84	224	72	38	114	0.39
2003/04	147	0	72	219	65	42	111	0.38
2004/05	49	11	65	126	35	24	67	0.22
2005/06	80	6	35	121	42	17	62	0.21
2006/07 2/	86	1	42	129	48	18	63	0.21

N.A. = Not available. 1/ Marketing season begins in December of the first year shown. As of 1998/99, marketing season begins in October. 2/ Preliminary.
Source: Prepared by the Economic Research Service, USDA.

Table 8--Lemons: Utilized production, 2003/04-2005/06 and forecast for 2006/07 1/

State	Utilized			Forecast for 2006/07 as of 10-2006	Utilized			Forecast for 2006/07 as of 10-2006
	2003/04	2004/05	2005/06		2003/04	2004/05	2005/06	
	--1,000 (76-lb) boxes--				--1,000 short tons--			
Arizona	3,000	2,400	3,800	2,800	114	91	144	106
California	18,000	20,500	21,000	19,700	684	779	798	749
Total	21,000	22,900	24,800	22,500	798	870	942	855

1/ The crop year begins with bloom of the first year shown and ends with completion of harvest the following year.
Source: *Crop Production Report*, National Agricultural Statistics Service, USDA.

Lemon harvesting starts off each year in Arizona and Southern and Central California before moving into the major production region—California's Ventura County. This season harvesting started off slowly, with volumes low relative to last summer. According to data from USDA's Agricultural Marketing Service, domestic lemon shipments were down 6 percent this September compared with last September and were down 28 percent in October. In response to the smaller shipments, grower prices for fresh lemons out of Arizona and California this September and October were more than double last season, averaging $32.69 per 76-pound box. At the retail level, supplies were actually higher during these months than last season due to higher imports from Mexico and Chile, however, prices remained strong. In the coming months, as the U.S. harvest gets fully underway, prices should drop as more domestic lemons come into the market. Also likely to moderate prices is the expected smaller-sized fruit in the new crop which often has an adverse effect on price.

Tangerine Production Up in California But Down in Florida and Arizona

U.S. tangerine production in 2006/07 is forecast to fall 10 percent from last season to 377,000 tons (table 9). While production in Florida, the biggest domestic tangerine producer, is down 16 percent, and production in Arizona, the smallest producer, is down 29 percent, production in California is up 6 percent. In

Table 9--Other citrus: Utilized production, 2003/04-2005/06 and forecast for 2006/07 1/

Crop and State	Utilized			Forecast for 2006/07 as of 10-2006	Utilized			Forecast for 2006/07 as of 10-2006
	2003/04	2004/05	2005/06		2003/04	2004/05	2005/06	
	--1,000 boxes 2/--				--1,000 short tons--			
Tangelos:								
Florida	1,000	1,550	1,400	1,100	45	70	63	50
Tangerines:								
Arizona	690	400	550	400	25	15	21	15
California	2,200	2,900	3,600	3,800	83	109	135	143
Florida	6,500	4,450	5,500	4,600	309	211	261	219
Total	9,390	7,750	9,650	8,800	417	335	417	377

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.

California, new acreage is coming into production in recent years, increasing the number of bearing trees and crop size. On the other hand, bearing acreage in Florida has been steadily declining since the late 1990s. In 2005, the most recent available acreage data, California had 24,038 acres planted to tangerines, about half of which is bearing commercial crops. In Florida, the total was 17,246 acres, 97 percent of which was bearing acreage. In light of Florida's declining dominance in tangerine production, the varieties of tangerines available to domestic consumers will also be different, a change that is already being experienced. Florida still produces mostly what many Americans would consider traditional tangerine varieties, such as Sunburst, Fallglos, and Honey, California growers are planting more of the clementine/ mandarin varieties, similar to those that are being imported into the United States from Spain. These varieties tend to be easier to peel and have fewer seeds than the traditional varieties, qualities that consumers value highly.

Despite Florida's smaller crop this season, fresh shipments of Fallglo and Sunburst tangerines have been running ahead of last season through mid-November, according to data from the Florida Citrus Administrative Committee. Florida's season begins before California's and during October most of the market consists of Florida Fallglos and Sunbursts and Spanish clementines. Honey tangerines are a later variety, and harvesting has not yet begun.

Florida's fresh tangerine prices opened the new season at $4.53 per 95-lb box in October, significantly lower than any recent year since 2000, and about 2.5 times less than the average October price from 1989-2005 of $11.95 per box.

California Kiwifruit Production Likely Down in 2006/07

Based on pre-season estimates from the California Kiwifruit Commission, a grower-funded organization that promotes the marketing of California kiwifruit, California's kiwifruit production for the 2006/07 season will be down 32 percent from last season. Production during 2005/06 was reported by NASS at 37,200 short tons, up 39 percent from the previous season and 34 percent above the previous 5-year average crop size. While production for this season will be down significantly from the big crop in 2005/06, supplies will still be adequate to meet market demand. Growers began picking during the first half of October, and anticipate continuing to harvest well into November. There appears to be a wide range in fruit size for this

season however, quality is reported to be fairly good which should lean favorably on demand and, along with reduced supplies, should help boost 2006/07 grower prices.

NASS reported that while bearing acreage for kiwifruit in 2005/06 remained steady at 4,500 acres as it has since 2002/03, above-average yields and plenty of fruit in the large-size range led to the sharp increase in production last season, resulting in the largest crop for the industry since 1995. The big crop forced the average grower price for kiwifruit down 20 percent to $644 per ton, the lowest average price over the last 5 years. Nevertheless, the increase in production more than compensated for the price decline and led to a total crop value of $23.3 million, 17 percent higher than in 2004/05 and the highest in the last 7 years.

Free-on-board shipping-point prices for kiwifruit in the Central and Northern California Districts opened this season at $14.00 to $15.00 per 9 kilogram (19.8 pounds) containers loose Hayward U.S. One (size 27), slightly higher than in 2005/06. For the larger-size fruit (size 30-36) opening-season prices were about the same as last season, at $13 to $14. However, the heat wave last July delayed development of this season's crop, and while harvesting begun around the second week in October, shipments only reached sufficient marketable volume to report prices towards the end of the month, about 9 days later than last season. Prices by then during 2005/06 ranged from $12.00 to $13.00 per 9 kilogram container, all size range. Although current season supplies have increased, shipments through mid-November were below last year, and prices have remained strong.

The bulk of U.S. kiwifruit production is consumed domestically, and imports make up more than 60 percent of fresh kiwifruit consumption in the United States. Because of the large domestic crop in 2005/06, U.S. kiwifruit imports last season through September were down 3 percent from 2004/05. Shipments from the leading supplier—Chile, however, were up 17 percent, offsetting lower shipments from New Zealand and Italy, also major sources. For the same period, export demand was very strong, increasing 65 percent. Plenty of large-size fruit benefited export demand, with shipments up sharply to the top three markets—Mexico, Canada, and South Korea. Demand was also strong to smaller markets in Central and South America as well as to other markets like Taiwan and Hong Kong, where the United States has lost market share during the 1990s. Shipments to both Taiwan and Hong Kong, though up significantly from the previous year in 2005/06, remain well below shipments during the late 1980s and through much of the 1990s. Although the good quality of the crop this year should again encourage international demand, export prospects for 2006/07 will likely be limited by this year's much smaller crop.

Pecans Production High for An Off-Year

NASS forecasts the 2006 pecan crop at 201.4 million pounds (inshell basis), 28 percent smaller than last year, but 8 percent bigger than in 2004, the last off-year of pecan trees' production cycle. The 2006 crop is bigger than any other off-year crop in at least the last 20 years. Much of the cyclical nature of the pecan crop in recent years has been apparent in the improved varieties crop, which accounts for 74 percent of the crop, and is 35 percent smaller than last year. The native and seedling crop this year is fractionally higher than last year but 10 percent higher than 2 years ago. Much of the native and seedling production in the Gulf Coast

States and Georgia experienced hurricane damage in 2004 and 2005, but has begun to rebound this year.

New Mexico has become the No. 1 pecan-producing State in 2006, beating out Georgia, traditionally the No. 1 State, by 1 million pounds. All of New Mexico's production is from improved varieties. Texas's production is forecast to decline 45 percent this year. If realized, it will rank third among the pecan States. Drought conditions, insufficient chill hours, and severe heat in August led to the smaller crop forecast this year. Among the other major pecan-producing States, Oklahoma and Arizona are both expected to have smaller crops this year over last, but Louisiana's and Alabama's crop are expected to increase, returning to more normal sizes after 2 years of lost production from hurricanes.

The smaller crop this year, along with below-average beginning stocks compared with other off years, is likely to increase demand for imports and increase grower prices. Pecan grower prices have been edging up in recent years as the demand for pecans and tree nuts in general has been growing in the domestic market. Per capita consumption the past 2 years was among the highest since the mid-1980s. With growing consumer awareness of the health benefits derived from eating tree nuts, domestic demand is likely to show a slow but steady movement higher, which in turn will likely drive up grower prices.

Early Fall Fresh Fruit Exports Down in 2006

Exports of fresh fall fruit, such as apples, pears, grapes, as well as lemons are running behind last season through September (table 10). A combination of smaller crops and late harvest starts has contributed to reduced quantities of these fruit going to export markets. The 2006 fresh grape marketing season was almost completed by September and shipments were down to major markets, most notably Canada, China, Malaysia, Mexico, and Taiwan. Shipments to Indonesia declined for the second straight year after trending upward for several years. Among the major markets, only shipments to Hong Kong were higher in 2006. The smaller crop out of California, where the bulk of U.S.fresh-market grapes are produced, contributed to the decline in exports.

A smaller 2006 U.S. apple crop is also to blame for the 26-percent decline in their exports during the first 2 months of the new season. Despite a 37-percent increase in fresh apple shipments to Canada, the No. 1 export market, reduced shipments to Mexico, the No. 2 market, and also to the next biggest markets—Indonesia, Malaysia, Hong Kong, and China—offset any gains.

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

Commodity	Marketing season	Season-to-date (through September) 2005	Season-to-date (through September) 2006	Year-to-date change
		--- 1,000 pounds ---		Percent
Fresh-market:				
Oranges	November-October	1,250,493	1,187,230	-5.1
Grapefruit	September-August	3,429	5,552	61.9
Lemons	August-July	18,217	12,687	-30.4
Apples	August-July	180,878	134,665	-25.5
Grapes	May-April	347,298	290,531	-16.3
Pears	July-June	64,499	53,573	-16.9
Peaches (including nectarines)	January-December	221,385	178,408	-19.4
Straw berries	January-December	179,620	195,000	8.6
Sw eet cherries 1/	January-December	90,884	94,322	3.8
		--- 1,000 sse gallons 2/ ---		
Processed:				
Orange juice, frozen concentrate	October-September	46,276	64,344	39.0
Orange juice, not-from-concentrate	October-September	72,998	73,326	0.4
Grapefruit juice	October-September	23,851	18,677	-21.7
Apple juice and cider	August-July	871	1,123	29.0
Wine	January-December	69,044	72,205	4.6
		--- 1,000 pounds ---		
Raisins	August-July	48,713	48,411	-0.6
Canned pears	June-May	2,896	8,052	178.0
Canned peaches	June-May	22,022	18,306	-16.9
Frozen straw berries	January-December	18,415	19,668	6.8
		--- 1,000 pounds ---		
Tree nuts:				
Almonds (shelled basis)	August-July	95,146	114,217	20.0
Walnuts (shelled basis)	August-July	13,425	10,864	-19.1
Pecans (shelled basis)	September-August	2,603	4,069	56.4
Pistachios (shelled basis)	September-August	4,744	4,957	4.5

1/ Beginning July 2005, includes tart cherries.
2/ Single-strength equivalent.
Source: U.S. trade data provided by the U.S. Census Bureau, U.S. Department of Commerce.

Apple and Pear Imports Increase This Fall To Help Offset Late Start to Domestic Crop

Apple imports, mostly from Chile, were up 14 percent this August and September to help offset supply gaps as the U.S. industry transitioned to the 2006/07 crop (table 11). A combination of a smaller crop this year and low ending stocks from last year's crop pushed up demand for imports. While imports should decline as the season progresses, demand seasonally increases at the end of the marketing year. With a second small crop in a row, imports at the end of the 2006/07 year may be higher than in recent years.

A similar situation has occurred with pear imports. Early season imports increased 7 percent, mostly from Southern Hemisphere countries, to help ensure there were sufficient pears in the market at the beginning of the season. During July through September, the first three months of the season, the biggest shipments came from Chile, South Korea, and Argentina. Chilean imports were double last year for the 3-month period. South Korea's shipments were down slightly, but Argentina's shipments were the biggest so far this decade.

Table 11--U.S. imports of selected fruit and tree nut products

Commodity	Marketing season	Season-to-date (through September) 2005	2006	Year-to-date change
		--- 1,000 pounds ---		Percent
Fresh-market:				
Oranges	November-October	132,549	138,591	4.6
Tangerines (including clementines)	October-September	207,504	226,889	9.3
Lemons	August-July	37,618	32,671	-13.2
Limes	January-December	518,171	514,456	-0.7
Apples	August-July	26,453	30,132	13.9
Grapes	May-April	356,545	231,908	-35.0
Pears	July-June	10,887	11,690	7.4
Peaches (including nectarines)	January-December	143,002	110,981	-22.4
Bananas	January-December	6,420,015	6,374,761	-0.7
Mangoes	January-December	491,677	554,396	12.8
		--- 1,000 sse gallons 1/ ---		
Processed:				
Orange juice, frozen concentrate	October-September	331,020	268,806	-18.8
Apple juice and cider	August-July	57,822	65,056	12.5
Wine	January-December	132,886	144,134	8.5
		--- 1,000 pounds ---		
Canned pears	June-May	10,887	11,690	7.4
Canned peaches (including nectarines)	June-May	23,790	32,386	36.1
Canned pineapple	January-December	601,255	611,921	1.8
Frozen strawberries	January-December	128,263	153,143	19.4
		--- 1,000 pounds ---		
Tree nuts:				
Brazil nuts (shelled basis)	January-December	25,171	19,011	-24.5
Cashews (shelled basis)	January-December	208,255	202,068	-3.0
Pine nuts (shelled basis)	January-December	8,716	6,938	-20.4
Pecans (shelled basis)	September-August	1,927	3,363	74.5

1/ Single-strength equivalent.

Source: U.S. trade data provided by the U.S. Census Bureau, U.S. Department of Commerce.

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Data

The *Fruit and Tree Nuts Situation and Outlook Yearbook* has over 130 tables of annual or monthly time-series data on specific fruit commodities. Data include bearing acreage, production, prices, trade, per capita use, and more. To order a copy call 1-800-999-6779.

Related Websites

Fruit and Tree Nuts Briefing Room,
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