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# Fruit and Tree Nuts Outlook

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## 2007 U.S. Production of Major Noncitrus Fruit Forecast Up Except for Apples

The index of prices received by U.S. fruit and tree nut growers remained below a year ago in August as it has since May of this year. At 153 (1990-92=100), the index fell 5 percent below the August 2006 index due to lower prices for fresh-market apples, grapes, peaches, and all oranges and grapefruit. At the retail level, prices in August were higher for oranges, lemons, bananas, and strawberries.

Light ending-season supplies of 2006/07 apples combined with a forecast smaller domestic crop in 2007 point to a continued strong market for U.S. apples during the 2007/08 marketing season. USDA's National Agricultural Statistics Service (NASS) forecast the 2007 U.S. apple crop to be 7 percent smaller than in 2006, totaling 9.3 billion pounds. Production is expected to be lower across much of the Nation, including most major apple-producing States—Washington, Michigan, Pennsylvania, California, and Virginia.

NASS forecast the 2007 U.S. pear crop to be 1.76 billion pounds, 4 percent larger than last year. Among the three Pacific Coast States that produce a major share of the U.S. pear crop, production is forecast to increase in California and Washington, but decline in Oregon. Combined production in these three States for Bartlett pears and other variety pears is forecast up 4 percent and 6 percent, respectively. The increase in production will likely hold 2007/08 fresh-market pear prices down from last season, but lighter supplies of competing new crop apples will help moderate some price declines.

The 2007 U.S. grape crop is forecast at 14.0 billion pounds, 9 percent bigger than the previous year. California's crop is forecast 7 percent larger, totaling 12.4 billion pounds. Elsewhere in the country, production is also forecast to be generally higher. Increased supplies, along with higher imports, are driving down 2007/08 grower prices for fresh-market grapes below last season.

NASS forecast the 2007 U.S. cranberry crop at 690 million pounds, up a fraction from last year's bumper crop. While this year's harvest remains large, growing demand for U.S. cranberries in foreign markets, along with tight inventory supplies will likely keep the market strong for U.S. cranberries in 2007/08.

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The next release is  
Nov. 28, 2007.

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## Price Outlook

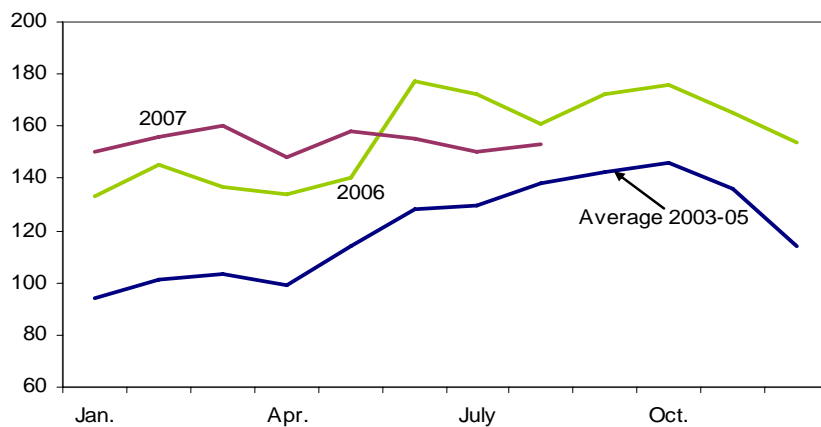
### *Grower Fruit Prices in August Remain Below A Year Ago*

The index of prices received by U.S. fruit and tree nut growers remained below a year ago in August as it has since May (fig. 1). At 153 (1990-92=100), the August index fell 5 percent below the August 2006 index but held above any other previous August index since 1991. Driving down the grower price index in August were lower grower prices for fresh-market apples, grapes, peaches, and all oranges and grapefruit (table 1). While the reported August price declines for these commodities averaged over 20 percent, higher average grower prices for fresh-market pears, strawberries, and lemons helped moderate the decline in the index.

With the 2007/08 season harvest this summer already well underway, increased supplies from bigger crops of grapes and peaches, particularly in California continue to put downward pressure on grower prices for these fruit. Fresh-market grower prices for grapes and peaches have been averaging lower than a year ago since June. In August, the average grower price for peaches showed the biggest decline among those with reported lower prices, dropping 50 percent below the same time last year. Behind the downward push on the August average peach price were increased nectarine and other summer fruit supplies and most of all the significantly higher peach shipments resulting from the bigger crop this year and late start to last season. Early-season apple shipments are also running ahead of a year ago despite this year's smaller expected crop, driving down apple prices. However, as harvesting in most major producing States, including Washington, gets fully underway this fall, shipments are likely to fall behind due to the overall smaller crop and this will likely help boost apple prices in the coming months. Meanwhile, fresh-market pear prices this fall will likely soften given the expected bigger harvest in 2007.

Light supplies at the end of the 2006/07 season held fresh-market lemon and orange grower prices higher in August than a year ago. These prices have held strong throughout the 2006/07 season due to freeze-reduced crops in California, the major supplier for the fresh market. According to the United States Department of

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



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

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

Commodity	2006		2007		2006-07 Change	
	July	August	July	August	July	August
	-----Dollars per box-----				Percent	
Citrus fruit: 1/						
Grapefruit, all	11.07	10.48	8.95	7.53	-19.2	-28.1
Grapefruit, fresh	13.58	12.78	11.14	10.54	-18.0	-17.5
Lemons, all	18.89	20.85	13.64	31.67	-27.8	51.9
Lemons, fresh	26.22	27.01	40.91	43.40	56.0	60.7
Oranges, all	6.98	11.66	8.95	8.81	28.2	-24.4
Oranges, fresh	12.15	14.84	16.83	14.63	38.5	-1.4
	-----Dollars per pound-----					
Noncitrus fruit:						
Apples, fresh 2/	0.423	0.359	0.293	0.326	-30.7	-9.2
Grapes, fresh 2/	0.515	0.440	0.365	0.375	-29.1	-14.8
Peaches, fresh 2/	0.361	0.373	0.265	0.186	-26.6	-50.3
Pears, fresh 2/	0.380	0.143	0.288	0.179	-24.1	24.8
Strawberries, fresh	0.640	0.637	0.530	0.670	-17.2	5.2

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

Agriculture's National Agricultural Statistics Service California Field Office, a rebound in production is forecast for the California navel orange crop in 2007. The initial forecast is for a 27-percent bigger orange crop, likely pushing fresh-market orange prices down this fall and winter from the record highs set the previous year.

### ***Fresh Fruit Retail Prices Remain Higher In August***

Fresh fruit prices at the retail level in 2007 have remained higher than a year ago since January as reflected by the monthly U.S. Consumer Price Index (CPI) for fresh fruit (fig. 2). The increases in the fresh fruit CPI, however, have slowed in July and August compared with the first half of the year due to greater availability of most summer fruit. The CPI in August, at 317.1 (1982-84=100), was 2 percent higher than the August 2006 CPI. Higher August retail prices for oranges, lemons, bananas, and strawberries more than offset the lower prices consumers paid for grapefruit, peaches, Red Delicious apples, and Thompson seedless grapes, resulting in an overall boost to the CPI (table 2).

Ending-season supplies for 2006/07 Red Delicious apples were greater than last year, driving their prices lower in August as retailers begun to stock up on new crop apples whose early-season shipments were running ahead of last year's. While prices for Red Delicious apples dropped, the CPI for apples in August remained strong relative to last year, indicating likely higher retail prices for other variety apples. Retail prices for apples, including those for Red Delicious, are likely to be generally strong during the 2007/08 marketing season as the anticipated production decline in the United States this year will limit the available supplies retailers would be able to promote. Declines are expected across most apple varieties, including the major fresh-market varieties like Red Delicious, Gala, Fuji, and Golden Delicious.

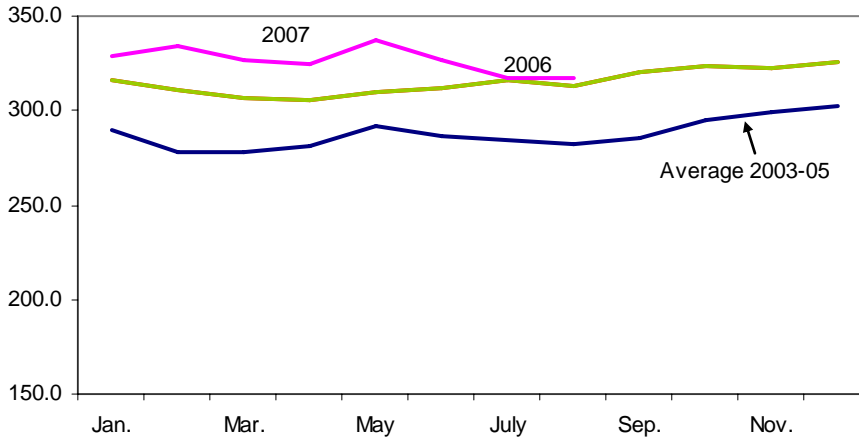
Continued large supplies of Thompson seedless grapes and other varieties such as black seedless and Red Globe well into September and into early October will

likely hold grape prices down in the next couple of months. Strawberry supplies in California are expected to slow in the months ahead as the season winds down, and with production down overall this year, strawberry retail prices are likely to remain higher than a year ago for the remainder of 2007.

Figure 2

**Consumer price index for fresh fruit**

1982-84=100



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

Table 2--U.S. monthly retail prices, selected fruit, 2006-07

Commodity	Unit	2006		2007		2006-07 Change	
		July	August	July	August	July	August
		--- Dollars ---		--- Dollars ---		--- Percent ---	
<b>Fresh:</b>							
Valencia oranges	Lb.	0.931	0.995	1.078	1.108	15.8	11.4
Navel oranges	Lb.	1.270	--	--	1.500	--	--
Grapefruit	Lb.	1.168	1.197	0.979	0.992	-16.2	-17.1
Lemons	Lb.	1.438	1.540	1.765	1.796	22.7	16.6
Red Delicious apples	Lb.	1.146	1.235	1.184	1.194	3.3	-3.3
Bananas	Lb.	0.508	0.492	0.509	0.506	0.2	2.8
Peaches	Lb.	1.388	1.326	1.450	1.303	4.5	-1.7
Anjou pears	Lb.	--	--	--	--	--	--
Strawberries 1/	12-oz. pint	1.759	1.804	1.667	1.830	-5.2	1.4
Thompson seedless grapes	Lb.	2.534	1.821	1.778	1.701	-29.8	-6.6
<b>Processed:</b>							
Orange juice, concentrate 2/	16-fl. Oz.	1.940	1.989	2.538	2.568	30.8	29.1
Wine	liter	7.349	7.969	7.179	9.528	-2.3	19.6

-- Insufficient marketing to establish price.

1/ Dry pint.

2/ Data converted from 12 fluid ounce containers.

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

### *2007 U.S. Apple Crop Is Third Smallest Since the 1990s*

On August 10, 2007, USDA's National Agricultural Statistics Service (NASS) reported its first forecast for the 2007 U.S. apple crop at 9.3 billion pounds, 7 percent smaller than the 2006 crop (table 3). If realized, this year's crop will be the third smallest since the 1990s, following even smaller crops in 2002 and 2003 when production fell below 9.0 billion pounds. Expected lower production across much of the Nation, including most major apple-producing States—Washington, Michigan, Pennsylvania, California, and Virginia—is behind this year's forecast of an overall smaller crop. These declines in production were due mostly to a range of weather problems, including freezing temperatures, an unusually cold spring, and drought conditions. Only 7 out of the 32 States included in the NASS apple production survey forecast larger production this year and one State, namely Colorado, has production unchanged from a year ago. With the exception of New York, the second-largest producing State, these few States produce relatively small apple crops, accounting for about 2 percent of total production.

Washington continues to lead in production by a wide margin, accounting for nearly 60 percent of all the apples grown in the United States. This year, production in Washington is forecast to be down 4 percent from a year ago, declining for a third consecutive year to 5.4 billion pounds. A hard frost last fall followed by a cold spring reduced bloom counts, particularly for the State's Red and Golden Delicious variety crops. There are reports, however, that for many varieties produced in Washington, fruit are sizing well, an attribute that leans favorably on demand and prices.

Production will be down across all regions in 2007. At nearly 6.0 billion pounds, combined 2007 production among the Western States, if realized, will be down 4 percent from last year and lower than the two previous earlier years. Mostly with Washington's presence, this region's production will account for more than half of the U.S. apple crop. Production among the Eastern States is forecast at 2.3 billion pounds, down 5 percent from last year. The biggest decline is in the central region where production is forecast to decline 20 percent, to 979 million pounds. Production in this region is dominated by Michigan's output.

The 2006/07 U.S. apple marketing season (August-July) ended with light supplies and, together with the forecast smaller crop this year, point to a continued strong market for U.S. apples during the 2007/08 season. Supplies of 2006/07 apples for fresh and processing in cold storage as of July as reported by the U.S. Apple Association were 6 percent and 7 percent below the 5-year average, respectively. Relative to last July, however, cold storage supplies were higher. This has combined with slightly higher shipments of new crop apples early in the season due to a more normal timing to this year's harvest than last year's late start, driving 2007/08 early-season fresh-market apple grower prices down slightly from last season. August grower prices averaged 32.6 cents per pound, down from 35.9 cents in August 2006. With harvest this season in full swing as of late summer and into the fall, shipments are expected to more closely reflect the forecast reduced crop size this year and prices are likely to strengthen over last year. Plentiful supplies of fresh-market pears forecast for this season, however, will likely help mitigate some of the upward push in domestic apple prices.

Table 3--Apples: Total production and season-average price received by growers, 2004-2006, and indicated 2007 production 1/

States	Production				Price		
	2004	2005	2006	2007	2004	2005	2006
	----- Million pounds -----				---- Cents per pound ----		
Eastern States:							
Connecticut	20	16	18	21	39.5	46.2	53.4
Georgia	12	14	13	3	22.8	23.6	20.2
Maine	47	31	24	40	32.0	34.1	41.9
Maryland	34	41	34	33	13.6	14.4	20.1
Massachusetts	42	29	32	37	38.1	44.8	49.4
New Hampshire	31	21	29	27	30.1	31.0	35.2
New Jersey	40	45	45	42	15.1	31.3	41.0
New York	1,280	1,045	1,250	1,290	15.1	16.2	20.0
North Carolina	155	130	173	50	13.2	11.7	14.4
Pennsylvania	405	500	470	455	10.1	10.0	12.8
Rhode Island	2	2	2	3	48.0	52.4	54.2
South Carolina	6	4	3	1	10.8	17.2	15.6
Vermont	42	33	36	33	22.5	30.4	31.6
Virginia	300	250	220	200	14.9	9.6	9.8
West Virginia	81	87	90	80	9.1	8.4	9.2
Total	2,496	2,247	2,438	2,313			
Central States:							
Arkansas	2	2/	2/	2/	35.5	2/	2/
Illinois	57	49	53	10	23.7	37.2	34.8
Indiana	60	50	55	30	21.9	29.4	29.9
Iowa	5	2	7	2	46.6	45.3	50.4
Kansas	3	2/	2/	2/	27.6	2/	2/
Kentucky	8	6	7	1	36.8	34.6	37.7
Michigan	730	760	850	790	12.3	12.6	14.6
Minnesota	25	22	23	24	46.8	53.5	54.3
Missouri	48	49	53	5	16.4	16.5	21.5
Ohio	90	99	102	55	27.6	28.6	34.6
Tennessee	11	9	10	0	26.3	26.8	27.3
Wisconsin	57	52	65	62	33.6	39.7	42.3
Total	1,095	1,097	1,224	979			
Western States:							
Arizona	37	22	30	23	15.3	24.0	18.1
California	355	355	355	340	14.9	21.0	24.0
Colorado	28	31	15	15	15.4	17.9	27.0
Idaho	80	70	60	45	11.8	17.9	19.3
New Mexico	5	2/	2/	2/	41.8	2/	2/
Oregon	163	145	150	145	16.3	15.7	19.8
Utah	32	38	10	25	26.8	15.9	36.8
Washington	6,150	5,700	5,650	5,400	12.1	18.1	24.5
Total	6,850	6,361	6,270	5,993			
United States	10,441	9,705	9,932	9,285	13.5	17.4	22.4

1/ Commercial production from orchards of at least 100 bearing-age trees.

2/ Estimates discontinued in 2005.

Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruit and Nuts 2006 Summary and Crop Production* (August 2007 issue).

Based on a 3-year average share of U.S. apple production, the Economic Research Service (ERS) projects the 2007/08 U.S. fresh-market crop to be down between 6 and 7 percent from the 6.3 billion pounds of fresh-use apples produced in 2006/07 (fig. 3). This projected amount will also be below what was produced for the fresh market in 2004/05 and 2005/06. With imports averaging less than 10 percent of the available supplies for domestic fresh use, total fresh use supplies in the United States may be reduced, and along with higher prices and strong export demand, will likely drive down domestic consumption below the estimated 17.7 pounds per person in 2006/07.

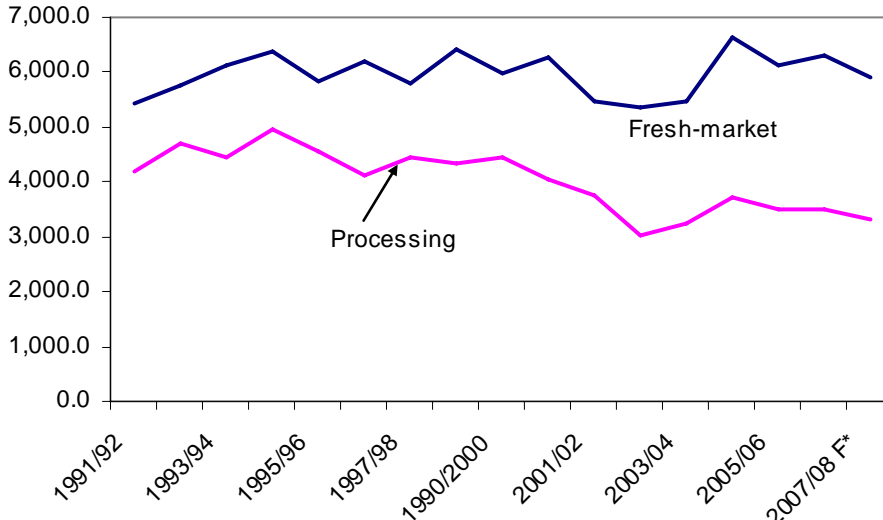
Demand for U.S. apples in export markets remains strong, but similar to last season, reduced production, particularly in Washington, will likely limit the availability of apples that may be shipped to these markets in 2007/08. Last year, the Washington apple crop declined less than 1 percent and 2006/07 U.S. apple exports fell 6 percent from the previous season, posting significant declines to 7 out of its top 10 export markets. For the same period, U.S. apple imports increased 23 percent.

ERS also projects apple supplies for processing in the United States will be down between 6 and 7 percent from 2006/07, likely putting upward pressure on overall 2007/08 processing apple prices. Price direction, however, may differ according to product category. Indications from the U.S. Apple Association are that apple utilization for processing will be down for juice, canned, and dried, but up for frozen, fresh slices, and other products. These processed product categories are consistent with groupings reported by NASS, with juice as the largest category. Nearly half of all apples for processing are utilized for juice production.

Figure 3

**U.S. production of fresh and processing apples**

Million pounds



\* 2007/08 production are forecast by the Economic Research Service, USDA.  
 Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruit and Nuts Summary*, various issues.

In 2006/07, the U.S. season-average grower price for all apples processed increased to \$124.00 per ton, higher than the last two seasons. Average grower prices rose in each of the major product categories for which these apples were utilized, except for dried and fresh sliced apples which reported a 27 percent and 20 percent increase in production. Correspondingly, 2006/07 grower prices for apples used in making dried and sliced fresh apples declined 14 percent and 9 percent, respectively. Apple production for all other processed product categories—canned, juice and cider, frozen, and other—all fell in 2006/07, driving up their average grower prices. Juice and cider had the lowest average price of all product categories in 2006/07, but it experienced the greatest increase, rising 42 percent from the previous season to \$96.40 per ton.

Based on what appears to be an average share of 49 percent of processed apple production during the last three seasons, ERS projects 2007/08 juice and cider apple production to decline between 3 to 4 percent from the previous season. This reduced production should help boost juice apple prices in 2007/08. Washington supplies about half of all the U.S. apples sold to juice processors. Other major suppliers are Michigan, New York, and California, whose combined juice apple production accounts for over 25 percent of all U.S. apples utilized for juice and cider production. In Michigan, where the apple crop is forecast to be 7 percent smaller, the Michigan Processing Apple Growers Marketing Committee has already negotiated a minimum price schedule for 2007 apples for processing. The negotiated minimum price for specific varieties appears to be higher than last year's. For straight loads of 2007 juice apples, the minimum price was set at \$6.25 per hundredweight (cwt; 1 cwt=100 pounds), compared with \$5.25 per cwt in 2006. The minimum price agreed for under two-and-a-half-inch in peeler loads was \$5.25 per cwt, compared with \$4.50 per cwt last year.

Unlike the fresh market, apple juice demand in the United States is mostly met by imports, with China, Argentina, Chile, and Brazil as the top suppliers. Imports show a growing presence in the U.S. apple juice market over the last several years, driven primarily by the growth in imports from China. Today, domestic production accounts for less than a quarter of total apple juice supplies available for U.S. consumption, far less than the average share of over 40 percent during the 1990s. That is why, despite a slight decline in production last year and larger exports, the increase in imports was able to raise apple juice availability for domestic use during 2006/07, increasing domestic consumption to a record high estimated at 2.23 single-strength equivalent gallons. U.S. apple juice imports posted a 29 percent growth in 2006/07 from the previous season, with China bearing a 63 percent share of total import volume and an increase of 58 percent from the previous season. Imports from Brazil were also up, but were down from Argentina, Chile, and most other countries that supply apple juice to the U.S. market.

U.S. apple juice exports have been waning since the 1990s, as it loses market share to China's rapidly growing presence in the global apple juice market. Exports in the early 1990s averaged over 15.0 million gallons annually. In today's market, exports are down to about 7.0 million gallons a year. Export demand for U.S. apple juice was strong in 2006/07, increasing 6 percent from the previous season to 7.6 million gallons. While 2005/06 exports were over 7.0 million gallons, exports during the three previous seasons were only between 5.0 and 6.0 million gallons, the lowest period since the 1990s. Export demand during 2006/07 was boosted by strong shipments to major markets such as Japan, Mexico, the Dominican Republic,



South Korea, the Netherlands, and Hong Kong. Exports to Canada, however, the leading market, fell slightly.

### ***2007 U.S. Pear Crop Larger Than Last Two Years***

NASS forecast the 2007 U.S. pear crop to be 1.76 billion pounds, 4 percent larger than last year's crop and 7 percent above the 2005 crop (table 4). Among the three Pacific Coast States that produce a major share of the U.S. pear crop, production is forecast to increase in California (up 10 percent from a year ago) and Washington (up 8 percent), but decline in Oregon (down 6 percent). Bartlett production in these three Pacific Coast States is forecast up for a second consecutive year, increasing 4 percent from a year ago to 884 million pounds. Favorable weather during the bloom period promoted good pollination in California, where the Bartlett crop is forecast up 10 percent, offsetting production declines forecast for Washington (down 3 percent) and Oregon (down 2 percent). Combined production of other pear varieties in these three States is forecast at 824 million pounds, up 6 percent from a year ago. Production gains for other pear varieties are expected in California and Washington. While most pear varieties are progressing well in Oregon, their production of Bosc pears is substantially lower this year, driving their production of other pears down 8 percent from a year ago.

In other parts of the country, production of other pears in 2007 is forecast to reach 48 million pounds, down 11 percent from a year ago, but 47 percent higher than in 2005. Out of six States, production declines are expected in New York, Pennsylvania, Utah, and Colorado. Hail damage reduced the crop in New York, while fewer blooms and dry conditions this summer were behind the smaller crop in Pennsylvania. In Michigan, the crop is forecast up 17 percent, while Connecticut will remain unchanged.

Bartlett pears are increasingly being sold for fresh use, although a majority of its production in the United States is destined for the processing sector. Other pear varieties account for about 70 percent of all the fresh-market pears produced in the country. Overall production for these other pear varieties in 2007 is forecast up 5 percent from a year ago, totaling 872 million pounds. This will mean increased availability of fresh-market pears during the 2007/08 marketing season (July-June).

As of July 2007, grower prices for fresh-market pears averaged \$576 per ton, down from \$714 per ton the previous month and \$759 per ton in July 2006. Plentiful supplies, both from this year's crop and carryover from last season, drove beginning-season prices for fresh-market pears down in 2007/08 marketing season (July-June). July shipments from California, mostly of Bartlett pears, were up sharply from a year ago, reflecting not just the expected larger crop this year, but also the lagged shipments in July 2006 due to a delayed start to the season last year. Cold storage supplies of 2006/07 Bartlett pears at the start of the 2007/08 season in July were very light, but supplies of other pears were 57 percent above the average level reported at the start of the season for the period 2003/04-2005/06. Moreover, sharply higher imports, mostly from Argentina and Chile, were providing additional competition in the domestic market. June imports posted a 43 percent increase from the same time last year and July imports were up 29 percent.

Table 4--Pears: Total production and season-average price received by growers, 2004-2006 and indicated 2007 production

State	Production 1/				Price		
	2004	2005	2006	2007	2004	2005	2006
	--- Million pounds ---				--- Cents per pound ---		
Pacific Coast:							
California:							
Bartlett	446	332	398	440	12.6	14.9	11.9
Other	96	72	80	84	25.2	42.3	29.5
Total	542	404	478	524	14.9	19.8	14.9
Oregon:							
Bartlett	126	116	126	124	16.3	17.4	19.2
Other	300	268	304	280	17.9	16.5	21.6
Total	426	384	430	404	17.4	16.7	20.9
Washington:							
Bartlett	342	334	330	320	14.8	17.1	17.3
Other	390	492	392	460	19.9	17.3	26.4
Total	732	826	722	780	17.5	17.2	22.2
Three States:							
Bartlett	914	782	854	884	13.9	16.2	15.1
Other	786	832	776	824	19.8	19.2	24.8
Total	1,700	1,614	1,630	1,708			
Colorado	5	5	5	4	28.1	22.8	27.2
Connecticut	2	2	2	2	40.0	47.6	55.0
Michigan	7	4	7	8	15.6	21.2	16.0
New York	33	17	32	28	19.3	25.0	21.5
Pennsylvania	9	4	8	6	28.2	29.9	35.6
Utah	1	0.4	0.5	0.3	19.7	32.3	31.8
Total	57	33	54	48			
United States							
Bartlett	914	782	854	884	13.9	16.2	15.1
Other	843	865	830	872	19.8	19.2	24.8
Total	1,757	1,647	1,684	1,756	16.8	17.9	19.9

1/ Includes unharvested production and production not sold.

Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruit and Nuts 2006 Summary and Crop Production* (August 2007 issue).

Harvesting was well underway in August, increasing 2007/08 California shipment volumes to date as well as the varieties of pears to choose from, including fall varieties like the Starkcrimson and winter varieties like Anjou, Bosc, Comice, Forelle, and Seckel. Although supply volumes rose in August, shipments fell close to 10 percent below those in August 2006. Prices in August strengthened from the previous month and the year before, averaging \$357 per ton.

Pear harvest in Oregon and Washington also began in early August with the summer/fall varieties. Harvest of the winter varieties begun around late August and will last through early October. Washington and Oregon produce most of the pears for fresh use and, as their seasons get well underway, supplies are expected to continue to increase into the fall, driving down grower prices for fresh-market pears in the next couple of months. Forecast increased production for this year should hold prices down from last season. However, lighter supplies of competing new crop apples will likely help moderate some declines for fresh-market pears during 2007/08.

Aided by increased supplies and lower prices, early 2007/08 exports of U.S. pears were off to a good start, posting a 215-percent increase in the July export volume relative to the same period last year. Part of this large increase may be attributed to

sharply lower marketing supplies in July 2006 due to the delayed start last season. This year's July exports rose sharply to the top two markets—Mexico and Canada. Combined exports to these two markets in July accounted for 93 percent of total U.S. shipments that month. The remainder went to 14 other markets, mostly across Central and South America and East Asia. In comparison, July 2006 exports went to only 5 markets, including Mexico and Canada. Partly in response to the smaller 2006/07 U.S. fresh-market crop and higher prices, exports from July 2006 through June 2007 totaled 280.2 million pounds, down 14 percent from the previous season. Shipment volumes declined to Mexico and Canada, although these were partly offset by shipment gains to growth markets such as Brazil and Russia. Despite the decline in total export volume last season, the strong prices drove the total value of 2006/07 exports to a record-high of \$125.2 million, 6 percent above the previous season.

Pear supplies for processing in 2007/08 are likely to be up from last season due to the bigger Bartlett pear crop this year. This will likely put downward pressure on 2007/08 grower prices for processing pears, especially as supplies of other pear varieties are also expected to increase, reducing the need for Bartlett pears to be diverted to the fresh market to fill in fresh-market demand. During 2006/07, the 9 percent larger Bartlett pear crop sent 7 percent more pears to the processing sector. However, the season-average grower price for Bartlett pears sold to processors only declined slightly from \$228 per ton in 2005/06 to \$227. Production of other pear varieties in 2006 fell 4 percent from the previous year, but Bartlett pear production that was marketed for fresh use rose 7 percent, driving overall fresh-market production in 2006/07 nearly even from the previous season.

Despite an increase in domestic production for the processing sector during 2006/07, U.S. imports of canned pears rose 29 percent from the previous season and exports fell 18 percent. Among the top export markets for U.S. canned pears, shipments increased sharply to Thailand and Mexico, but fell markedly to Canada. Exports continue to lag during the first 2 months of 2007/08 (June-May), with shipments through July declining 78 percent from the same period in 2006/07. While demand for U.S. canned pears has remained lackluster in Canada, the absence of any shipments from Thailand for this given period has largely contributed to the sharply lower export shipments to date. Last year, U.S. exports to Thailand in June-July was already at 3.2 million pounds, nearly three-quarters of total shipments during that period and 17 percent of total 2006/07 exports. While alternating with Canada as the United States largest export market for canned pears Thailand is also a major supplier of canned pears to this country. China remains as the dominant supplier to the United States, but Thailand is gaining in market share despite fluctuations in some years. U.S. canned pear imports from Thailand in June-July 2007 is up more than twice the volume from June-July last year.

### ***U.S. Grape Crop Larger in 2007***

The 2007 U.S. grape crop is forecast at around 14.0 billion pounds, 9 percent bigger than a year ago, but 11 percent smaller than the record-large crop in 2005 (table 5). The crop in California is forecast 7 percent larger, totaling 12.4 billion pounds. California's production is expected to increase for all grape types, with raisin-type grapes posting the largest gains, up 18 percent. California's production of wine and table grapes is expected to be up 1 percent and 7 percent, respectively.

Table 5--Grapes: Total production and season-average price received by growers in principal States, 2004-2006 and indicated 2007 production

State	Production				Price		
	2004	2005	2006	2007	2004	2005	2006
	-- Million pounds --				-- Cents per pound --		
Arizona	8	2	2	2	16.7	26.9	41.6
Arkansas	6	4	5	1	25.1	27.0	31.1
Georgia	7	7	6	6	58.0	69.5	63.5
Michigan	125	205	65	190	11.8	10.5	17.6
Missouri	7	8	8	6	36.0	38.7	34.9
New York	284	356	310	360	11.3	9.7	12.1
North Carolina	7	8	9	7	48.1	46.9	51.5
Ohio	10	17	6	16	20.6	15.6	31.1
Oregon	48	54	69	70	83.0	84.0	87.5
Pennsylvania	174	180	164	166	10.7	10.6	12.6
Texas	18	19	14	19	46.0	62.5	60.0
Virginia	7	11	12	12	65.0	68.0	72.0
Washington							
Wine	214	220	240	262	46.3	46.5	47.1
Juice	320	610	392	500	7.3	6.3	1/
All	534	830	632	762	22.9	16.9	22.8
Total 2/	1,234	1,701	1,302	1,617			
California:							
Wine	5,630	7,612	6,352	6,400	28.5	29.1	29.1
Table	1,540	1,744	1,458	1,560	34.8	22.1	45.1
Raisin 3/	4,076	4,570	3,722	4,400	15.3	13.1	14.2
All	11,246	13,926	11,532	12,360	24.6	23.0	26.3
United States	12,480	15,627	12,834	13,977	24.2	22.4	26.0

1/ Official estimates of price for 2006 are not published. 2/ Some figures may not add due to rounding.

3/ Fresh weight of raisin-type grapes.

Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruit and Nuts 2006 Summary and Crop Production* (August 2007 issue).

Wine grapes account for slightly over half of California's total grape crop. Bunch counts are higher than last year in the San Joaquin Valley which reports the greatest concentration of grape production in the State. Weather conditions have been favorable for the raisin grape crop. Fruit quality of raisin and table grapes is reported to be very good, although previous seasons have had better berry size performance. Grape harvesting for fresh use in the Coachella Valley had ended by late spring, while those in the San Joaquin Valley are ongoing.

Elsewhere in the country grape production is also forecast to be generally higher. This will include production gains in the next 4 largest grape-producing States, namely Washington, New York, Michigan, and Pennsylvania. Forecast production in Washington for 2007 is set at 762 million pounds, 21 percent above last year. Favorable conditions during the bloom period and throughout much of the growing period helped boost both juice and wine grape production in Washington. Juice grapes will continue to account for more than half of the State's grape crop, increasing crop size by 28 percent. While growth in Washington's wine grape production is expected to be more moderate than those for juice grapes, it is forecast to reach a record-high this year, totaling 262 million pounds.

**Increased supplies soften fresh-market grape prices:** This year's production increase in California and in the United States overall, along with higher imports, are driving down 2007/08 grape grower prices for fresh use below last season. Grower prices from June through August averaged \$777 per ton, down from \$1,447

during the same period a year earlier. The larger supplies and lower prices should encourage demand for fresh grapes in 2007/08, likely increasing domestic consumption from the estimated 7.67 pounds per person in 2006/07. These same factors will improve the export potential of U.S. grapes during 2007/08.

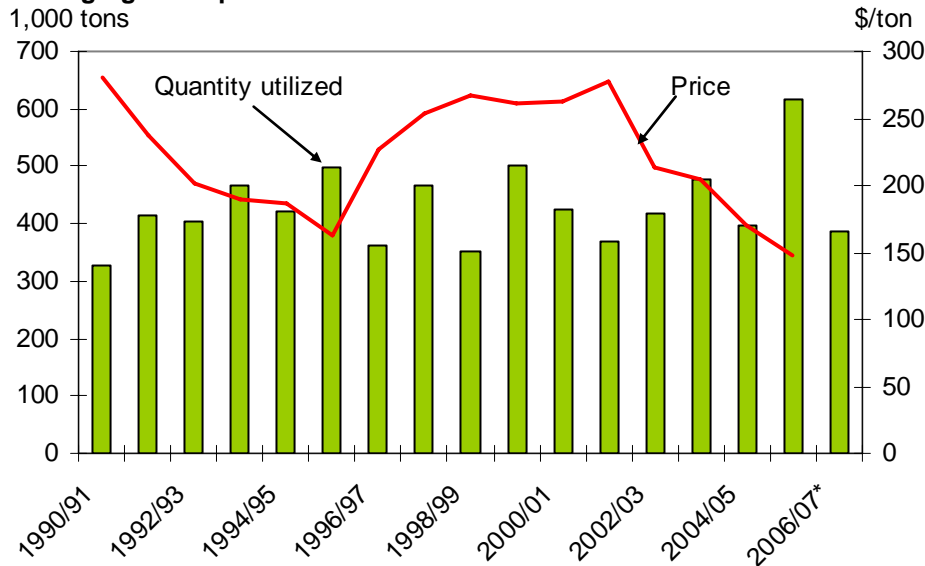
Mexico's grape season was in full swing in June and, due to their bigger crop, shipments to the United States rose sharply, coinciding with sharply higher shipments from California's Coachella Valley, the earliest production region to enter the domestic grape market. As California's grape season got in full swing in the San Joaquin Valley, the major production region, the larger shipments continued to weaken grape prices in July and August, holding them below the previous year. Increases in domestic shipments were partly offset by diminished shipments from Mexico in July as the country's grape season ended. Yields in Mexico were also lighter for the late-producing varieties, driving their July shipments to the United States down from the same time last year. Reduced supplies from Mexico had mitigated the downward pressure on grower prices, with smaller price declines in July and August from the previous month. Domestic shipments, meanwhile, continued to run higher through mid-September because, aside from the forecast bigger crop, most varieties matured earlier than last year. However, while supplies are expected to continue to increase seasonally into the fall, volumes may be lighter than usual as most varieties will be finishing up earlier, providing strength to late-season grape prices.

**More grapes available for wine production in 2007/08:** In light of the expected bigger crops in the major producing States, total grapes crushed for wine will likely increase during 2007/08, putting downward pressure on prices growers will receive for grapes sold to wineries. These prices averaged higher than the previous season in 2006/07, increasing from \$543 per ton to \$562 per ton. California provides the bulk of the grapes utilized in U.S. wine production, which in 2006/07 accounted for 90 percent of the total. Because of their smaller crop last year, California grape production sold to wineries in 2006/07 declined from the previous season, resulting in higher grower prices. Prices were generally higher in 2006/07 for all table grapes utilized for wine production, while prices for wine grapes averaged unchanged and prices for raisin grapes fell below the previous season. Winery demand was strong in 2006/07 for Washington and Oregon grapes where production was up and prices averaged higher.

**Increased grape crush for juice likely in 2007/08:** The quantity of grapes crushed for juice production was also down in 2006/07, declining from 617.9 thousand tons in 2005/06 to 388.2 thousand tons. The sharp drop is a combined result of reduced juice grape production last year and the record-large production in 2005/06. Official estimates of 2006/07 prices paid to growers for grapes utilized in juice production were not published. Season-average prices have been declining year-after-year since 2002 despite fluctuations in domestic juice grape production (fig. 5). Although production fell sharply in 2006/07, its effect on the available supplies to juice processors was moderated by increased grape juice imports, mostly in concentrate form. In addition, industry data indicated that carryover inventories of processed grape tonnage during 2006/07 was higher than average, a result of the record-large production in 2005/06. Both these factors likely would have offset some of the upward pressure on 2006/07 grower prices that should have been triggered by lower production. Because grape production in 2007 is forecast to be up in all the major States that supply grapes to juice processors (Washington,

Figure 4

**Grapes utilized for juice production in the United States and season-average grower price**



\*2006/07 price not reported.

Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruit and Nuts Summary*, various issues.

New York, Pennsylvania, Michigan, and Ohio), domestic grape crush volume for juice will likely increase in 2007/08. The expected larger domestic production may soften 2007/08 grower prices for juice grapes, encouraging increased sales to juice processors both here and abroad while limiting imports.

U.S. grape juice imports rose 17 percent in 2006/07 from the previous season, totaling 71.9 million gallons in single-strength equivalent. As has historically been the case, the bulk of these imports were in concentrate form, with Argentina as the main supplier. Shipments of grape juice concentrate were up 17 percent from Argentina, accompanied by larger shipments from other key suppliers such as Canada, Chile, and Mexico. Although much smaller in volume, imports of non-concentrate grape juice rose more sharply than those for grape juice concentrate in 2006/07, mostly reflecting the more than doubling of the shipments from Canada which account for nearly all of the shipments.

U.S. grape juice exports fell 47 percent in 2006/07 to 12.2 million gallons, the lowest level since the 9.4 million gallons reported in 1987. Despite this decline, total export value for the season rose 11 percent, reaching \$63.0 million. Shipment volumes were down sharply to key markets—Canada, Japan, South Korea, Taiwan, China, and the United Kingdom—but higher prices for U.S. grape juice in most of these markets drove their export values higher in 2006/07.

**Raisin production likely to increase in 2007/08:** California’s 2007 raisin grape crop is forecast 18 percent larger than the previous year, however industry indications are that the prices packers will be paying raisin producers in 2007/08 will remain strong as in the last 3 seasons. Last year’s crop was one of the smallest since 1990, and combined with a strong export market, led to tight inventory

supplies domestically. The Raisin Bargaining Association, a cooperative of grape growers that negotiates raisin prices, announced in August 2007 that the existing 2007 pricing contract for Natural Seedless raisins will remain at \$1,210 as previously agreed and similar to last year's agreed minimum price. The minimum price is based on a sliding scale, allowing raisin prices to adjust down or up from the minimum agreed price based on final production levels. The agreement will extend into the next three harvest seasons with a minimum price of \$1,310 per ton for the 2008 harvest season and with the sliding scale, a figure of between \$1,123 and 1,723 in 2009 and \$1,123 to \$1,798 in 2010.

During the marketing season 2006/07, NASS reported that a total of 1.45 million tons of grapes (includes raisin and table grapes) were dried and growers of these grapes were paid \$241 per ton (fresh-weight basis). On a dried-weight basis, this production totaled 315,400 tons, down from 357,500 in 2005/06. Although some table grapes were also dried, the vast majority of grapes processed into raisins were raisin grapes as has historically been the case. For each ton of dried raisin grapes, growers were paid \$1,110 in 2006/07, up from \$1,000 in 2005/06.

Virtually all U.S. grapes made into raisins are produced in California. In 2006/07, reduced acreage for raisin grapes and lower per acre yields were mostly behind the 12 percent decline in U.S. raisin production from the previous season. Bearing acreage for raisin grapes in California has shrunk in recent years, declining from a record high of 280,000 acres in 2000 to only 234,000 acres in 2006—the smallest in the last 20 years. Raisin grape bearing acres in 2006 was down 2 percent from the previous year, while non-bearing acreage remained the same at 6,000 acres. In addition to the decline in bearing acreage, lighter berry sets for raisin grapes reduced 2006/07 per acre yields by 16 percent, averaging 7.95 tons per acre.

Reduced production in 2006/07 was only partly offset by increased imports, and combined with strong exports, domestic consumption dropped below the last two seasons to 1.33 pounds per person (processed-weight equivalent). U.S. raisin imports from August 2006 through July 2007 rose 34 percent to 63.6 million pounds, increasing for a third consecutive year and exceeding the record-high imports in 1998/99 totaling 54.6 million pounds. The top 5 suppliers to the United States were Chile, Argentina, South Africa, Mexico, and Iran, accounting for 95 percent of total imports. Among these top suppliers, imports rose from the top 3 suppliers, but fell from Mexico and Iran. Meanwhile, U.S. raisin exports were strong in 2006/07, increasing 2 percent from the previous season to 247.2 million pounds. Of their top 5 foreign markets, exports rose to Japan, Canada, Germany, and China, but fell to the United Kingdom.

### ***2007 U.S. Cranberry Production Nearly Unchanged From Last Year***

NASS forecast the 2007 U.S. cranberry crop at 690 million pounds, up only fractionally from last year's bumper crop with a difference in production of only an additional 1,000 pounds (table 6). Due to some winter damage and coming off of big crops last year, production declines are forecast for this year in Wisconsin (down 1 percent) and Massachusetts (down 5 percent), the top two cranberry-producing States in the country. These declines, however, may be offset by moderate to large production increases in New Jersey, Oregon, and Washington, the other States for which NASS reports annual cranberry production.

Although this year's harvest will remain large, growing demand for U.S. fresh and processed cranberries, especially in foreign markets, along with tight inventory supplies, will likely keep the market strong for U.S. cranberries during the 2007/08 marketing season. Beginning inventories in 2007/08 are estimated by the Cranberry Marketing Committee (CMC), the organization responsible for administering the cranberry marketing order, at almost 3.0 million barrels, slightly below what the industry anticipates as sufficient to meet demand for the current marketing season. Also partly offsetting this year's large domestic production will be lower imports from Canada, which for 2007/08 the CMC has estimated to be down 3 percent from last season. Crop size is expected to be smaller in Quebec, a major producing region in Canada.

The U.S. cranberry industry faces a different supply-demand situation now than during the late-1990s when they fell into a glut situation. Excess supplies during that period came as a result of the high cranberry prices during the mid-1990s which prompted growers to expand production rapidly beyond market demand with inventories soaring to as high as over 4.0 million barrels. The U.S. cranberry industry managed to move itself out of the glut situation in recent years with volume control measures and promotional efforts that helped build demand for their products. A restrictive marketing order was put in effect specifically during the 2000/01 and 2001/02 marketing seasons to help the industry adjust inventory levels to more normal levels, bringing overall supplies more in line with demand. As production moved upward in succeeding years, cranberry grower prices have also improved, indicating demand growth. Although beginning inventory levels since 2005/06 were higher than those immediately following the two years when the restrictive marketing order was implemented, market demand for fresh and processed cranberries has been able to absorb those increases.

Along with increased production, new products and increased public awareness about the health-promoting properties of cranberries have been a main driving force in enhancing demand for U.S. fresh and processed cranberries. Today there are many types of cranberry juice available, from cranberry cocktail, white cranberry

Table 6--Cranberries: Total production and season-average prices received by growers, 2004-2006, and indicated 2007 production

State	Production				Price		
	2004	2005	2006	2007	2004	2005	2006
	-- Million pounds --				-- Cents per pound --		
Massachusetts	181	142	190	180	32.6	36.0	39.0
New Jersey 1/	40	53	49	52	31.2	35.9	35.7
Oregon	50	44	47	50	33.1	34.6	48.3
Washington	17	19	11	18	35.6	38.2	41.3
Wisconsin	330	366	394	390	33.0	35.3	37.2
United States	618	624	690	690	32.9	35.6	38.4

1/ Small quantities of fresh cranberries are included in processed to avoid disclosure of individual operations.

Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruit and Nuts 2006 Summary* and *Cranberries* (released August 2007).



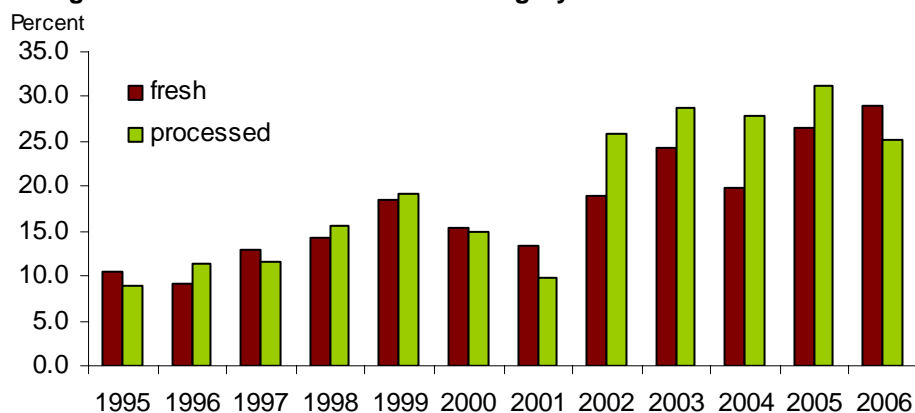
juice, juice blends, concentrates, and single-serve refrigerated juices. Likewise, sweetened dried cranberries have been growing in popularity over the last few years. Besides its increased presence at the retail market, dried cranberries have become more widely used by food manufacturers as an ingredient for other food products such as baked goods, cereals, and snack foods (e.g. trail mixes and cereal bars), as well as by foodservice institutions. Together with fresh cranberries and other more traditional cranberry products—whole berry and jellied sauces and frozen cranberries—the U.S. cranberry industry is able to offer consumers many opportunities to incorporate cranberries into their daily diet.

Because most U.S. cranberries move through the processing sector, fresh-use cranberries remain a relatively small proportion of the U.S. crop, available mostly during the early part of the marketing season from September to December. With the highly seasonal nature of fresh cranberries, the fresh-market share of production has remained mostly between 5 and 6 percent during the 1990s and through the present period. Demand for U.S. fresh cranberries in the last few years has been strong as evidenced by year-to-year increases in the season-average grower price for fresh-market cranberries despite fluctuations in production since 2000, the year NASS started reporting fresh and processing cranberry grower prices separately. Domestic per capita consumption of fresh cranberries has fluctuated with production, but at an average of 0.11 pound per person annually in recent years, consumption has reached slightly higher levels than what they were in the early-to-mid-1990s.

Sales volume figures from CMC show that 2006/07 fresh sales were the highest since 2000/01, increasing 8 percent from the previous season. Within the fresh-market sector, the volume of sales going to foreign markets—although still relatively small compared to what is sold domestically—is growing in share, increasing from an average of about 9 percent during the mid-1990s to over 25 percent during 2004-06 (fig. 5). Demand for U.S. fresh cranberries will likely stay strong in 2007/08, with total fresh sales projected up 18 percent.

Figure 5

**U.S. fresh and processed cranberry sales: share of foreign sales to total sales for each category**



Source: Sales data from the Cranberry Marketing Committee.

Similar to the fresh market, demand for processed cranberries has been strong in recent years as prices generally rose even with increased production. Based on NASS data, processed production increased from year-to-year following the glut period, except in 2004, and in 2006 reached a record-high at 6.4 million barrels. CMC data indicate processed product sales, in volume terms, have been trending up over a decade for both domestic and export markets. Market demand, however, has been stronger in export markets as indicated by a larger average annual rate of increase in sales over the period 1995-2006. Although most of the processed products are sold in the U.S. market, export demand for processed U.S. cranberry products has grown in share of total processed sales, increasing from about 5 percent in the early-to-mid-1990s to an average 28 percent during 2004-06. For 2007/08, processed product sales are projected to climb 22 percent.

### ***First Forecast for 2007/08 California Orange Crop Released***

NASS released its first forecast for the 2007/08 California navel orange crop on September 12. According to results from the 2007/08 California Navel Orange Objective Measurement Report, 1.6 million tons of navel oranges are forecast to be harvested this season. If realized, this crop would be 27 percent bigger than last season's frost-damaged crop, but 9 percent smaller than the average-sized 2005/06 crop. Trees experiencing the greatest impact of the freeze are likely still recovering, affecting the overall crop size. The survey also reports that there are 130,000 bearing acres of navel oranges in California's Central Valley (composed of Fresno, Madera, Tulare, and Kern Counties), 1,000 more than last season. The trend toward increased planting of navel oranges has been going on since the early 1990s, although the rate of increase has slowed over the past few years. Trees are planted more densely on the newer acreage than the older ones, increasing the average number of trees per acre to 130, up from 121 trees between 1992/93 and 1998/99.

The forecast for a smaller than average crop could result in strong grower prices this season. Reports, however, of smaller than average fruit size can dampen the extent of the increase, especially from export markets. In recent years, about 30 percent of the crop is exported each season.

### ***Florida NASS Field Office Conducts Citrus Inventory***

NASS' Florida Field Office and the Florida Department of Agriculture and Consumer Services conducted a special commercial citrus inventory of selected counties which were among the top 10 producers for all citrus. (Inventories are generally conducted every other year, but the industry requested a special one be conducted this year following one in 2006.) The inventory found a 4.1 percent loss in acreage between 2006 and 2007 in the 7 counties selected—Collier, DeSoto, Hendry, Indian River, Martin, Lee, and Polk. In 2006, these 7 counties accounted for 56 percent of Florida's citrus acreage. Martin County, in Southeast Florida, experienced the greatest drop in citrus acreage between 2006 and 2007 with a 12 percent decline. Over the past 5 years, between 2002 and 2007, the bulk of the acreage losses occurred due to acreage removed in response to citrus canker and the major hurricanes that directly hit Florida in 2004 and 2005. Over this time period, Florida lost 19 percent of its citrus acres. The greatest losses occurred in Indian River, with a 30 percent decline, and Martin, with a 27 percent decline. Polk and

Hendry, the No. 1 and No. 2 counties in terms of number of acres, also experienced heavy losses.

While official NASS estimates for all of Florida's citrus crops will not be released until October 12, early private estimates have already been published, forecasting a bigger Florida orange crop for the 2007/08 season. The bigger crop will likely reduce grower prices from the very high prices received in 2006/07, but should remain above average. Demand from processors is still strong as they continue to replenish inventories. Also, although this season's crop may be up from last season, it is likely to still be below average for pre-hurricane years. Higher prices will help growers offset some of the increases in the cost of production as they face higher prices for fuel, increased expenditures for disease control, and potentially tight labor availability at harvest.

### ***Florida Fresh Grapefruit and Orange Shipments Up in 2006/07***

The Florida Department of Citrus released its final fresh citrus shipment report for the 2006/07 season on September 18. Both domestic and export shipments of fresh oranges and grapefruit were up from the previous season, but tangerine shipments declined. Despite a smaller orange crop in 2006/07, some of Florida's growers were able to capitalize on the tighter supplies caused by freeze damage to California's fresh orange crop. About 92 percent of Florida's fresh oranges were shipped to U.S. markets. Of that amount, about 85 percent went to East Coast markets, with Florida and New York the top 2 markets. Florida oranges were not allowed to be shipped to other citrus-producing States because of the threat of spreading citrus canker.

Florida fresh grapefruit shipments were up 65 percent in 2006/07 from 2005/06. F.o.b. (free-on-board) revenues from these shipments increased 29 percent to \$221 million. About two-thirds of the shipments went to export markets. Japan was the No. 1 market for Florida's fresh grapefruit in 2006/07, exceeding quantities sent to domestic markets. While Japan traditionally preferred white grapefruit, demand for red and pink grapefruit has grown and now outpaces that for white. In 2006/07, about 60 percent of the grapefruit were colored, up from 56 percent the previous season. Shipments to Europe, which accounted for 35 percent of total exports, were almost totally colored varieties. Almost all of the European shipments went to Belgium and the Netherlands, where they were then shipped to other European countries. Canadian shipments, which accounted for about 6 percent of total shipments, went mostly to Ontario and Quebec.

Florida's fresh shipments of tangerines were down in 2006/07, mostly due to the smaller crop. Almost all of the tangerines were destined for U.S. markets, however, about 7 percent were shipped to Canada. Few tangerines are shipped to Europe or Asia where they have their own domestic varieties of tangerines. As a result of the decline in shipments, f.o.b. revenues dropped 8 percent from the previous season to \$95.5 million.

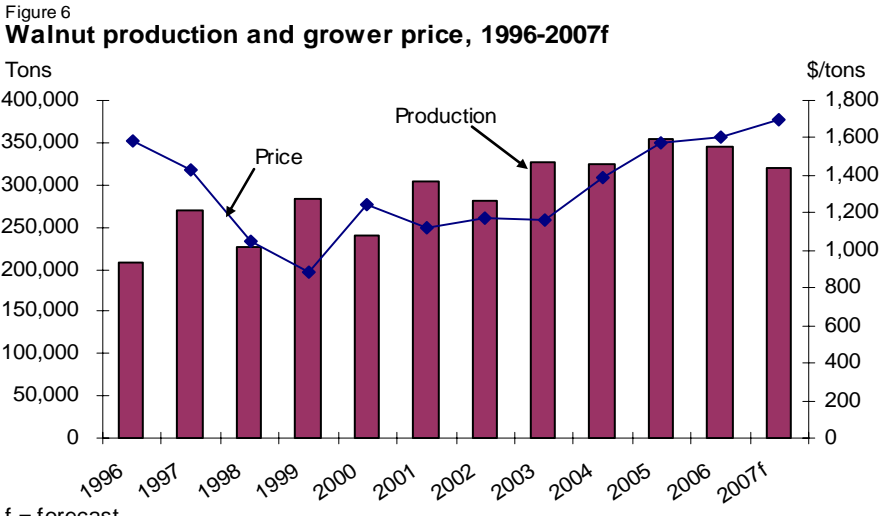
# Tree Nut Outlook

## *Smaller Walnut Crop in 2007 Likely to Increase Grower Prices*

NASS conducted its annual *California Walnut Objective Measurement Survey* this past August, releasing the results on September 5. The survey forecasts an 8 percent smaller crop for the 2007/08 marketing season at 320,000 tons, down from 346,000 tons in 2006. If realized, this would be the second consecutive smaller crop, contrary to the alternate-bearing nature of the walnut trees which would have been expected to produce a bigger crop this season. Last year's "off-cycle" crop, however, was much larger than usual on an off year, likely leaving the trees depleted of nutrients and contributing to the reduced production forecast for this year. While the number of bearing acres remained at 206,000 acres in 2007, unchanged from 2006, the yields per acre, at 1.48 tons, were the lowest since 2002. The survey sample reported a decline in the number of nuts per tree for several of the major varieties, including the traditionally top varieties the Hartley, Chandler, Franquette, and Serr. On the other hand, the number of nuts per tree increased substantially for the Tehama variety, following a very poor crop on these trees last season, as well as for the Ashley and Eureka varieties.

Grower prices are likely to increase for the 2007/08 marketing season, continuing the upward trend evident since 2003/04 (fig. 6). World demand for U.S. walnuts is strong. Despite record or near-record crops the past few years, U.S. grower prices have grown at an average rate of 12 percent annually. With the forecast for the smallest crop in 5 years and inventories entering the new season the lowest since 2001/02, supplies will be lower than the past few seasons. Therefore, if domestic and international demand remains near the levels of the past few seasons, grower prices are likely to increase, which would make for a new record high.

The U.S. walnut industry had a good marketing season in 2006/07. Both domestic and international demand was strong despite reduced supplies and high grower prices. While the 2006 crop was on an "off-cycle" in the trees' alternate bearing nature, production was still higher than any year except the previous year's crop. Inventories at the beginning of last year's marketing season, however, were the



Source: USDA, National Agricultural Statistics Service, *Crop Production*, various issues.

Table 7--Walnuts: Supply and utilization (shelled basis), 1997/98 to date

Season 1/	Utilized production	Loss and exempt 2/	Marketable production	Imports	Beginning stocks	Total supply	Ending stocks	Exports	Domestic consumption	
									Total	Per capita
										Pounds
						--1,000 pounds--				
1997/98	221,365	823	220,542	284	40,346	261,172	67,609	94,125	99,437	0.36
1998/99	187,862	828	187,034	156	67,609	254,800	59,448	90,920	104,431	0.38
1999/2000	237,884	841	237,043	181	59,448	296,673	63,393	91,279	142,002	0.51
2000/01	204,857	857	204,000	371	63,393	267,763	46,218	97,083	124,462	0.44
2001/02	257,556	844	256,711	203	46,218	303,132	80,004	103,420	119,708	0.42
2002/03	243,963	865	243,098	195	80,004	323,296	73,428	113,966	135,902	0.47
2003/04	279,429	857	278,571	372	73,428	352,372	82,151	124,971	145,250	0.50
2004/05	282,360	869	281,491	638	82,151	364,280	69,994	136,941	157,346	0.53
2005/06	315,989	890	315,099	1,133	69,994	386,225	54,507	205,946	125,772	0.42
2006/07	296,931	859	296,072	1,921	54,507	352,501	34,658	157,505	160,338	0.53

1/ Season beginning August 1. 2/ Inedibles and noncommercial usage.

Source: Calculated and prepared by USDA's Economic Research Service.

smallest since 2001, resulting in total supplies being below the past 2 seasons (table 7). Despite the tighter supplies, exports exceeded any other season except for the record high set the previous season, while domestic demand met the record high set in 2004 at 0.53 pounds per person.

Inshell walnut shipments were down to all major European markets, Spain, Italy, and Germany, but were very strong to Hong Kong, Korea, Turkey, and Israel. The shipments of shelled walnuts, however, were up to most major markets, except Germany and Japan.

The start of the 2007/08 marketing season got underway a little earlier than last season, according to industry sources. The first release of the *Monthly Management Report* from the Walnut Marketing Board showed total shipments of inshell walnuts to be behind last season for August, the first month of the new marketing year. Shelled walnut shipments, however, were 2 percent ahead of last season for August with domestic shipments 8 percent higher, but exports fell behind. Shipments, however, have just gotten underway and are not indicative of the final demand for this season's crop.

### ***The 2006/07 Almond Season Ends With Record High Exports***

The 2006/07 almond crop was filled with record highs; along with the biggest crop to date, beginning stocks were among the highest in history, providing for the supplies needed to meet an all time high quantity of almond exports with large ending stocks still remaining. As a result of the large supplies, average grower prices declined 33 percent from the previous season to \$1.87 per pound. Despite the sharp grower price decline last season, it was still the third highest in the last decade. The lower prices were likely instrumental in the strong demand for the 2006/07 almond crop, both in domestic and international markets.

The final *Almond Industry Position Report* for the 2006/07 crop was released by the Almond Board of California in August. The season, which ran August 2006 through July 31, 2007, reported a 17 percent increase in shipments from the previous season, with domestic shipments showing the biggest increase. The growth in U.S. demand for almonds is a big plus for the industry which is heavily reliant on export markets. As production continues to grow, the industry needs to increase domestic demand if prices are to remain strong. The U.S. market provides

Table 8--Almonds: Supply and utilization (shelled basis), 1996/97 to date

Season 1/ 1996/97	Utilized production 2/ 759,000	Loss and exempt 32,790	Marketable production 726,210	Imports 116	Beginning stocks 48,287	Total supply 774,613	Ending stocks 171,976	Exports 447,864	Domestic consumption	
									Total 157,553	Per Capita 0.58
---1,000 pounds---										
1996/97	510,000	23,696	486,304	1,248	92,799	580,351	48,287	374,512	157,553	0.58
1997/98	759,000	32,790	726,210	116	48,287	774,613	171,976	447,864	154,774	0.56
1998/99	520,000	24,600	495,400	184	171,976	667,560	91,834	410,388	165,339	0.60
1999/00	833,000	34,400	798,600	226	91,834	890,660	175,850	439,534	275,275	0.98
2000/01	703,000	26,000	677,000	540	175,850	853,390	107,266	513,344	232,780	0.82
2001/02	830,000	29,300	800,700	882	107,266	908,848	80,922	585,723	242,203	0.84
2002/03	1,090,000	20,200	1,069,800	1,993	80,922	1,146,415	162,045	673,616	310,754	1.07
2003/04	1,040,000	21,800	1,018,200	3,248	162,045	1,176,393	148,940	698,896	328,557	1.12
2004/05	1,005,000	39,922	965,078	6,750	148,940	1,113,806	137,684	712,680	263,443	0.89
2005/06	915,000	36,470	878,530	11,050	137,684	1,024,009	112,222	728,470	183,317	0.62
2006/07	1,115,000	33,502	1,081,500	10,329	112,222	1,205,780	133,950	768,022	303,809	1.01

1/ Season beginning July 1. Beginning in 1999/2000, season begins August 1.

Source: Calculated and prepared by USDA's Economic Research Service.

much potential for the industry as Americans traditionally have not been big tree nut consumers. ERS estimates that U.S. almond consumption rose 64 percent in 2006/07 over the previous season to 1.01 pound per person (table 8). While consumption was below the peaks reached in 2002/03 and 2003/04, it was still higher than any other year in the past decade and an upward trend in consumption appears to be occurring. The industry's strong promotional programs and the promotion by various health and nutrition organizations of the Mediterranean diet, which includes consuming tree nuts as an ingredient in meal preparation as well as a snack, have played a role in increasing domestic demand for almonds. Continued strong domestic and international demand will be essential for the industry to move its 2007 crop, which has been forecast to reach 1.3 billion pounds, shelled basis, and still maintain strong grower prices.

The first position report for the 2007/08 marketing year was released for August shipments. At the onset of the new season, movement has been up to both domestic and export markets compared to August 2006. Exports to major European markets were well ahead of last August, with shipments to Spain more than double what they were last season. Eastern European demand also started off the new season strong, with August 2007 exports to Russia running almost 4.5 times ahead of August 2006. Similarly, shipments to the Middle East, especially the United Arab Emirates, a major export market for U.S. almonds, as well as Asia, predominantly India and Japan have also started the new season strong.

A new requirement went into effect September 1, 2007 requiring all raw almond shipments to be pasteurized to reduce any threat of salmonella contamination from the nuts. Also going into effect on September 1 was Voluntary Aflatoxin Sampling Plan, whereby shipments to Europe would carry a certificate stating that each shipment had been tested for the presence of aflatoxin and met regulations established by the European Union. Shipments that carry the certificate will be subject to a 5 percent hold upon arrival for further testing. If a certificate is not present, the entire shipment will be subject to holding and testing, essentially tying up the shipment from its destination. Both of these new protocols may have played a small role in the large shipments in August, however, the industry is likely to take these new regulations in stride as necessary for marketing its nuts and as further evidence of the high quality of U.S. almonds.

### *Hazelnut's New Crop Forecast Released in Late August*

In late August, NASS released its first forecast for Oregon's 2007 hazelnut crop, set at 33,000 tons, 23 percent below last year's crop but 43 percent above the 2005 crop, the last "off-cycle" year. While inventories entering the new marketing season are larger than the previous 2 seasons, supplies are likely to be tight this year compared to last year and should boost grower prices above last year's average of \$1,080 per ton.

Hazelnut shipments in August consisted of supplies from the previous season's crop. Exports of inshell and kernel hazelnuts were below the quantity shipped in August 2006. Almost all of the kernels were shipped to Canada and Germany, while over half the inshell hazelnuts were shipped to Hong Kong and Vietnam.

## Fruit and Tree Nuts Trade Outlook

### *Bigger Crops Boost Early 2007/08 Exports of Grapes, Pears, and Peaches*

International demand for U.S. fresh grapes and pears is strong early into the 2007/08 marketing season, with shipments through July posting gains of 40 percent and over 200 percent from the same period last year, respectively (table 9). Greater domestic production volumes, lower prices, and a weak U.S. dollar vis-à-vis other countries are helping boost demand for these fruit in export markets.

U.S. pear exports to neighboring countries Mexico and Canada, the two biggest markets for U.S. pears, were up sharply in July, the beginning of the domestic season. Smaller pear crops in many European Union (EU) countries, due to hail and freeze damage, will likely bring more opportunities for U.S. pears in those markets in 2007/08. U.S. grape exports for the season through July were also up sharply to key markets, including Canada, Mexico, Hong Kong, and Taiwan, but much larger export gains were made to relatively smaller markets in Southeast Asia, Latin America, and the Caribbean. In addition to California's 2007 grape crop having overall good sizing, color, and sugar levels, increased supplies this summer as a result of the bigger crop and harvest underway in the State's major production region should keep grape exports strong through early fall. California's weekly shipments from August through mid-September averaged 15 percent higher than the same time last year, based on data from USDA's Agricultural Marketing Service.

Although peach production declined across most producing States in the country this summer, a big harvest (with good size and high sugar levels) and low prices in California—the dominant producer and supplier to U.S. export markets—are driving fresh peach exports up over 30 percent above last year. Peach exports

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

Commodity	Marketing season	Season-to-date (through July)		Year-to-date change
		2006	2007	
		----- 1,000 pounds -----		Percent
<b>Fresh-market:</b>				
Oranges	November-October	1,154,097	671,455	-41.8
Grapefruit	September-August	550,095	858,020	56.0
Lemons	August-July	220,359	258,433	17.3
Apples	August-July	1,488,394	1,406,506	-5.5
Grapes	May-April	53,589	74,731	39.5
Pears	July-June	3,691	11,630	215.1
Peaches (including nectarines)	January-December	93,482	122,432	31.0
Straw berries	January-December	154,188	153,381	-0.5
Sweet cherries 1/	January-December	82,818	107,194	29.4
		----- 1,000 case gallons 2/ -----		
<b>Processed:</b>				
Orange juice, frozen concentrate	October-September	56,581	35,306	-37.6
Orange juice, not-from-concentrate	October-September	55,988	54,925	-1.9
Grapefruit juice	October-September	14,696	16,091	9.5
Apple juice and cider	August-July	7,140	7,588	6.3
Wine	January-December	55,524	64,287	15.8
		----- 1,000 pounds -----		
Raisins	August-July	241,451	247,220	2.4
Canned pears	June-May	4,396	963	-78.1
Canned peaches	June-May	9,889	6,018	-39.1
Frozen straw berries	January-December	15,777	19,221	21.8
		----- 1,000 pounds -----		
<b>Tree nuts:</b>				
Almonds (shelled basis)	August-July	834,354	842,827	1.0
Walnuts (shelled basis)	August-July	203,957	157,495	-22.8
Pecans (shelled basis)	October-September	29,310	35,786	22.1
Pistachios (shelled basis)	September-August	54,201	58,745	8.4

1/ Beginning July 2005, includes tart cherries.

2/ Single-strength equivalent.

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



typically slow during the fall as the season winds down, however, export potential will remain strong as production of the late varieties are reported to be progressing well. U.S. peach exports through July were strong to most markets, including the top 5 for the country—Canada, Taiwan, Mexico, Hong Kong, and New Zealand.

The 2006/07 export season for U.S. tree nuts continues with robust demand. Export shipments are dominated by almonds with a 1-percent increase in 2006/07 over the previous season. Despite lower production in 2006, pecan and pistachio exports posted much bigger gains for the season through July. Large carryover stocks at the beginning of the season helped make up for the smaller harvest last year, enabling their industries to fulfill demand in international markets with increased available supplies. Season-to-date exports were up sharply to many EU countries as well as to key markets like Canada, Hong Kong, and Japan. Pecan exports were also strong to Mexico and China, also major markets.

### ***Imports of Noncitrus Fruit Up Through July***

U.S. fresh fruit imports are up for the season through July for many noncitrus fruit despite increased domestic production (table 10). May through July imports of fresh grapes have the largest increase, up 39 percent from the same period last year. Imports of pears and peaches were up 29 percent and 9 percent, respectively.

Most of the imported grapes were from Mexico which harvested a big crop this year. The export market is the primary outlet for Mexico's grape production and the United States remains its number one market. Imports this summer are expected to slow as Mexico's shipping season winds down and domestic production peaks. Domestic demand for imported grapes also may not be as high as last year due to the expected large harvest here this year. Moreover, should this year's extreme cold winter in Chile persist, it may hamper the country's 2007 grape production which, in September, was about to enter the bloom stage. Like Mexico, most of Chile's grapes are also sold in the export market, mainly to the United States. Therefore, any decline in Chile's grape production this year will likely drive their exports down in 2007/08 and will be reflected in their export shipments for this coming winter. Chile is the main supplier of fresh grapes to the United States during the winter months.

Larger import shipments from Costa Rica, Guatemala, Honduras, and Nicaragua are behind this year's 6 percent jump in banana imports through July. Bananas continue to take the lead on U.S. fresh fruit imports with a large margin, accounting for more than half of total import volume. In the United States, geographical and climatic limitations as well as production cost advantages in other banana producing countries have left domestic demand for bananas virtually reliant on imports.

Banana production areas in the Caribbean, particularly in St. Lucia, Dominica, and Jamaica, were heavily damaged in August by hurricane Dean and banana supplies in these countries will be largely curtailed. Most of the bananas imported into the United States come from South and Central America. Out of the Caribbean, the Dominican Republic has supplied virtually all of the bananas imported from that region in the last three years. Imports from Dominica and Jamaica have been sporadic. Hence, banana supplies in the United States will not be affected by the lost production in these Caribbean countries and, unless any major weather

problems occur in major producing countries, big swings in U.S. import supplies will likely be avoided for the remainder of this year.

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

Commodity	Marketing season	Season-to-date (through July)		Year-to-date change
		2006	2007	
		----- 1,000 pounds -----		Percent
Fresh-market:				
Oranges	November-October	64,744	163,684	152.8
Tangerines (including clementines)	October-September	205,669	243,592	18.4
Lemons	August-July	82,664	122,373	48.0
Limes	January-December	378,312	432,250	14.3
Apples	August-July	348,813	427,661	22.6
Grapes	May-April	220,631	306,586	39.0
Pears	July-June	5,494	7,104	29.3
Peaches (including nectarines)	January-December	110,645	120,781	9.2
Bananas	January-December	4,977,178	5,272,264	5.9
Mangoes	January-December	475,556	441,275	-7.2
		----- 1,000 sse gallons 1/ -----		
Processed:				
Orange juice, frozen concentrate	October-September	230,768	303,393	31.5
Apple juice and cider	August-July	418,055	539,540	29.1
Wine	January-December	115,153	129,722	12.7
		----- 1,000 pounds -----		
Canned pears	June-May	13,174	12,199	-7.4
Canned peaches (including nectarines)	June-May	22,594	26,804	18.6
Canned pineapple	January-December	447,918	445,142	-0.6
Frozen straw berries	January-December	141,408	149,116	5.5
		----- 1,000 pounds -----		
Tree nuts:				
Brazil nuts (shelled basis)	January-December	13,675	19,505	42.6
Cashew s (shelled basis)	January-December	154,149	158,112	2.6
Pine nuts (shelled basis)	January-December	4,802	5,210	8.5
Pecans (shelled basis)	October-September	67,058	53,367	-20.4

1/ Single-strength equivalent.

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

## Contacts and Links

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