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Fruit and Tree Nuts Outlook

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Ample Supplies of U.S. Apples, Pears, and Cranberries Expected in 2009/10

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In August, USDA's National Agricultural Statistics Services' (NASS) initial forecast for the 2009 U.S. apple crop was set at 10.1 billion pounds, up 4 percent from last year and the biggest crop of the last 4 years. Overall production was boosted by a steady yet fairly large crop in Washington, the top-producing State, and bigger crops in Michigan, New York, and Pennsylvania, three other large-producing States. Growing conditions were mostly favorable for many apple States and while several of these States are expected to have smaller harvests, production volumes are predicted within average levels, with good quality and fruit size in general. The forecast for a larger U.S. apple crop this year will likely put downward pressure on domestic apple prices, particularly for States expecting relatively large crops.

NASS forecast the 2009 U.S. pear crop to be 1.87 billion pounds, 7 percent larger than in 2008 and bigger than any crop since 2001. With no adverse weather problems encountered this growing season, major producing States—Washington, California, and Oregon—all expect to harvest larger crops. Bartlett pear production in these three States is forecast to increase 7 percent, while production of other variety pears (all producing States) is anticipated to also be up 7 percent. Previous-crop supplies remained large early into the 2009/10 season, affecting sales of new-crop California pears, the first to enter the market.

The 2009 U.S. grape crop is forecast by NASS at 14.1 billion pounds, 4 percent smaller than a year ago. California's 2009 grape crop is forecast at 12.5 billion pounds, down 4 percent from a year ago but an average-sized crop in historical terms. Production declines are forecast for California's table and raisin grape crops but wine grape production is anticipated to be 8-percent larger than a year ago. As many of California's table grape varieties were ahead on crop maturity compared with last season, cumulative shipments this season through mid-September were higher, driving down grower prices for fresh-market grapes.

NASS forecast this year's U.S. cranberry crop to total 709 million pounds, 10 percent below the record crop in 2008. If realized, this will be the second-largest crop on record. With carryover inventories for the season up 43 percent, there should be ample cranberry supplies to meet demand in 2009/10. Driving overall crop size down in 2009 are the expected smaller crops in Wisconsin and Massachusetts, the top two cranberry-producing States.

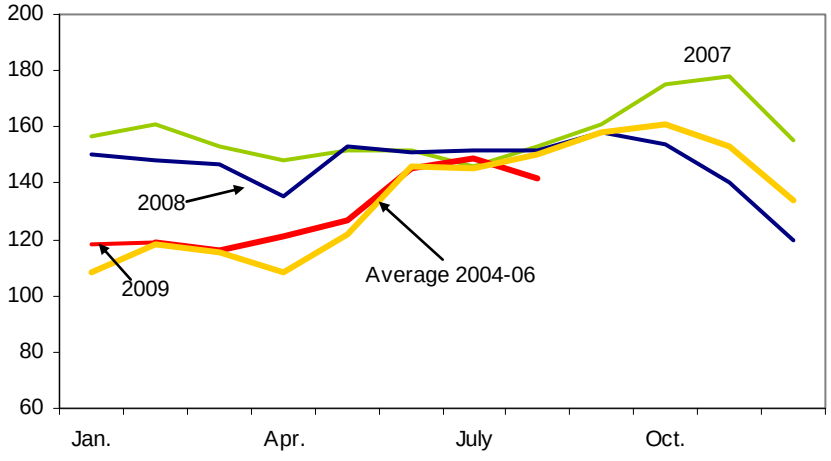
Price Outlook

Fruit Grower Prices Drop in August

The index of prices received by fruit and tree nut growers slipped 7 percent between July and August, and at 142 (1990-92=100), the August index was the lowest for that month since 2004. Driving down the index from the previous month were grower price declines for fresh-market grapes and pears (table 1). The lower prices for fresh-market grapes and pears, along with those for fresh-market apples, strawberries, and lemons, were behind the weak August 2009 grower price index relative to the same time last year. Table grape supplies were in abundance in August as harvest in California was well underway. With many of California's table grape varieties developing earlier this year, shipments for this season through August were running well ahead of the same time last year, driving their August prices below those in August 2008. California's shipping season for pears, particularly Bartlett pears, was also well underway during the month of August and initial supplies from this year's crop in the Northwest region have began to move through the market. Northwest pear supplies from last season still remained in the pipeline early into the 2009/10 season, putting downward pressure on prices for California pears.

Supply increases from larger domestic crops of lemons and strawberries held their prices down in August from a year ago the same time. Similar to the pear market, some 2008/09 apple supplies were still available entering the 2009/10 U.S. apple marketing season and coinciding with the industry anticipating a potentially big crop this fall. Already, early-season shipments have been running ahead of the same time last season. These supply pressures will likely continue to drive apple prices lower this fall. The expected smaller California grape crop this year, combined with the accelerated harvest this summer, will likely lead to tight late-season supplies, driving fresh grape prices higher this fall.

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	2008		2009		2008-09 change	
	July	August	July	August	July	August
	Dollars per box				*Percent*	
Citrus fruit: 1/						
Grapefruit, all	5.40	3.50	7.15	6.15	32.4	75.7
Grapefruit, fresh	5.40	3.50	7.15	6.15	32.4	75.7
Lemons, all	25.72	28.59	12.21	20.79	-52.5	-27.3
Lemons, fresh	43.00	35.58	22.98	26.16	-46.6	-26.5
Oranges, all	5.55	4.32	7.38	8.58	33.0	98.6
Oranges, fresh	7.72	7.72	10.49	10.61	35.9	37.4
	Dollars per pound					
Noncitrus fruit:						
Apples, fresh 2/	0.446	0.537	0.178	0.256	-60.1	-52.3
Grapes, fresh 2/	0.330	0.265	0.465	0.220	40.9	-17.0
Peaches, fresh 2/	0.243	0.255	0.281	0.332	15.9	30.0
Pears, fresh 2/	0.319	0.273	0.263	0.213	-17.6	-22.0
Strawberries, fresh	0.659	0.910	0.748	0.748	13.5	-17.8

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*.

Consumer Prices for Fresh Fruit Continue Lower

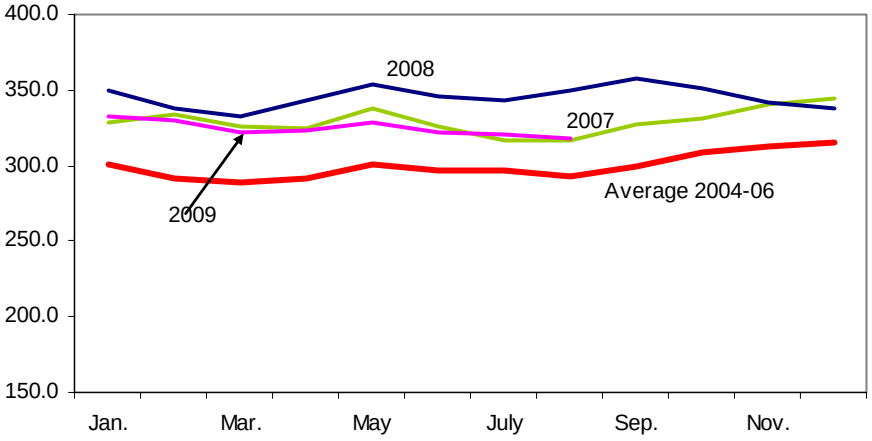
The Consumer Price Index (CPI) for fresh fruit in August 2009 declined almost 1 percent from the previous month to 317.5 (1982-84=100). This is the third month in a row that the CPI had shown weakness relative to the previous month and this August registered as the lowest thus far for any month since September 2007 (fig. 2). Seasonal increases in supplies have driven August retail prices for peaches and Thompson seedless grapes down 9 percent and 16 percent from the previous month, forcing down this August's CPI (table 2). Though only marginally lower, August retail prices for lemons and bananas also fell from the previous month and were also behind the CPI decline. Tighter supplies of late-season U.S. fresh-market peaches and grapes should lead to some price gains in the late summer and early fall.

Weakness in the CPI relative to the August 2008 CPI may be attributed to the cheaper prices consumers paid for lemons, Red Delicious apples, bananas, strawberries, and Thompson seedless grapes. Increased availability of apples, grapes, and strawberries over the summer because of bigger crops (except for grapes) has led to their lower retail prices. Though not included in the commodity mix for calculating the Bureau of Labor Statistics' CPI for fresh fruit, cherry retail prices reported by USDA's Agricultural Marketing Service (AMS) have been down sharply this summer as this year's bumper crop provided plentiful supplies in the market. Also, as U.S. consumers continued to struggle with tight budgets through tough economic times, retailers have been more aggressive in their efforts to make produce items, in general, more affordable to their customers.

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, 2008-09

		2008		2009		2008-09 change	
Commodity	Unit	July	August	July	August	July	August
		--- *Dollars* ---		--- *Dollars* ---		--- *Percent* ---	
Fresh:							
Valencia oranges	Lb.	0.974	1.021	0.901	0.961	-7.5	-5.9
Navel oranges	Lb.	1.291	1.452	1.191	1.222	-7.7	-15.8
Grapefruit	Lb.	1.051	1.076	0.993	1.024	-5.5	-4.8
Lemons	Lb.	2.143	2.184	1.590	1.584	-25.8	-27.5
Red Delicious apples	Lb.	1.452	1.580	1.193	1.217	-17.8	-23.0
Bananas	Lb.	0.627	0.634	0.616	0.611	-1.8	-3.6
Peaches	Lb.	1.506	1.476	1.652	1.505	9.7	2.0
Anjou pears	Lb.	1.384	--	--	--	--	--
Strawberries 1/	12-oz. pint	1.880	2.085	1.639	1.788	-12.8	-14.2
Thompson seedless grapes	Lb.	1.875	1.800	1.915	1.615	2.1	-10.3
Processed:							
Orange juice, concentrate 2/	16-fl. oz.	2.503	2.522	2.579	2.489	3.0	-1.3
Wine	liter	8.551	10.817	8.757	12.250	2.4	13.2

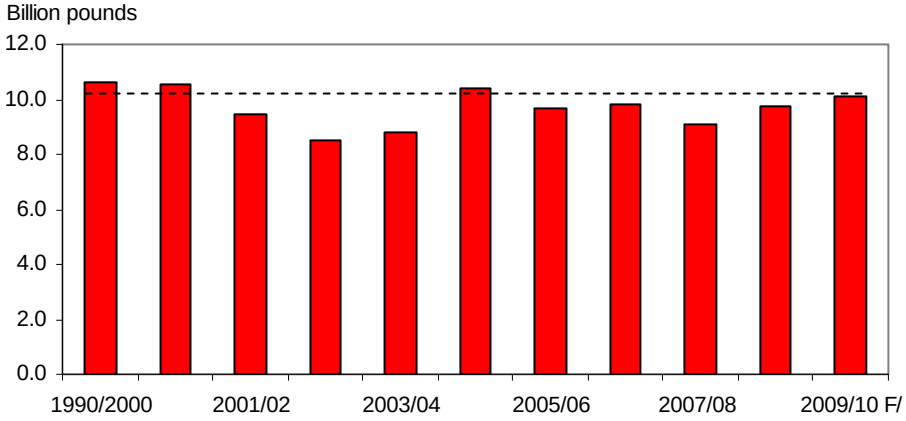
-- Insufficient marketing to establish price.
1/ Dry pint.
2/ Data converted from 12-fluid-ounce containers.
Source: U.S. Dept. of Labor, Bureau of Labor Statistics (http://www.bls.gov/data/home.htm).

Ample Supplies Softening 2009/10 Early-Season Prices for U.S. Apples

The U.S. apple industry is anticipating a bumper harvest this year. In August, the USDA's National Agricultural Statistics Service (NASS) initial forecast for the 2009 U.S. apple crop was set at 10.1 billion pounds, up 4 percent from last year and the biggest crop of the last 4 years (fig. 3). The U.S. Apple Association also was projecting a larger U.S. apple crop for this year. Their forecast is a bit more conservative, with production only up 1 percent from a year ago. Based on NASS data, the only time crop size exceeded 10.0 billion pounds in the past 9 years was in 2000 (at 10.6 billion pounds) and 2004 (at 10.4 billion pounds) while production averaged 9.3 billion pounds for the other years. Overall production in 2009 was boosted by a steady yet fairly large crop in Washington, the top-producing State, and bigger crops in Michigan, New York, and Pennsylvania, three other large-producing States (table 3). Growing conditions for this year's crop was mostly favorable for many apple States and although several of these States are likely to have smaller harvests, production volumes are projected within average levels, with good quality and fruit size in general.

Production in Washington is forecast to remain the same as last year's 5.8 billion pounds, 6 percent above the average crop size over the previous three years. Pollination benefited from good weather resulting in a very good bloom and fruit set. Production in much of the rest of the western region in 2009, however, will be down, driving total production for the region down fractionally from a year ago. Similarly, production increases in New York and Pennsylvania will be offset by declines in most other producing States in the eastern region where production is forecast to be down 2 percent. Central region production, on the other hand, is forecast to be up 48 percent with Michigan's crop playing a large role in regional volume and growth. Limited fruit setting last year due to weather impediments (late spring frosts and hailstorms) gave way for increased flowering during this growing

Figure 3
U.S. apple production increasing for the third consecutive year



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

Table 3--Apples: Total production and season-average price received by growers, 2006-08, and indicated 2009 production 1/

States	Production				Price		
	2006	2007	2008	2009	2006	2007	2008
	--------- *Million pounds* ----------				---- *Cents per pound* ----		
Eastern States:							
Connecticut	18	23	20	20	53.4	48.9	50.7
Georgia	13	2	12	2/	20.2	50.0	37.3
Maine	24	40	39	36	41.9	40.9	38.9
Maryland	33	29	34	34	19.7	19.6	23.9
Massachusetts	32	39	41	40	49.4	43.7	51.5
New Hampshire	29	35	37	29	35.2	35.6	46.6
New Jersey	45	42	43	44	41.0	22.9	38.1
New York	1,260	1,310	1,250	1,270	20.1	22.0	20.9
North Carolina	173	60	165	115	14.4	9.8	14.2
Pennsylvania	470	470	440	488	12.8	14.2	18.0
Rhode Island	2	3	2	2	54.2	56.1	67.3
South Carolina	3	0	7	2/	15.6	47.3	17.8
Vermont	36	38	44	41	31.6	33.2	35.6
Virginia	220	215	230	200	9.8	12.1	16.4
West Virginia	90	80	85	89	9.2	9.8	11.5
Total	2,446	2,385	2,448	2,406			
Central States:							
Illinois	53	6	46	45	34.8	68.8	46.4
Indiana	37	20	23	32	29.0	28.0	37.8
Iowa	7	3	5	4	50.4	64.2	54.5
Kentucky	7	1	8	2/	37.7	51.8	54.0
Michigan	880	770	600	1,050	14.1	16.9	19.6
Minnesota	23	26	27	27	54.3	63.7	73.4
Missouri	33	2	30	25	21.3	21.3	25.3
Ohio	102	56	104	99	34.6	43.5	42.3
Tennessee	10	0	10	8	27.3	40.0	34.4
Wisconsin	57	52	57	59	42.3	46.8	51.5
Total	1,207	935	910	1,348			
Western States:							
Arizona	30	23	18	22	18.1	21.9	22.3
California	355	345	360	330	24.0	26.3	26.6
Colorado	15	13	18	16	27.0	21.5	23.4
Idaho	60	35	85	65	19.3	25.2	22.0
Oregon	150	135	119	110	19.8	28.1	23.4
Utah	10	19	12	18	30.8	32.9	28.6
Washington	5,550	5,200	5,800	5,800	25.3	34.2	22.1
Total	6,170	5,770	6,412	6,361			
United States	9,823	9,089	9,769	10,113	22.7	28.8	22.6

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

2/ Estimates discontinued in 2009.

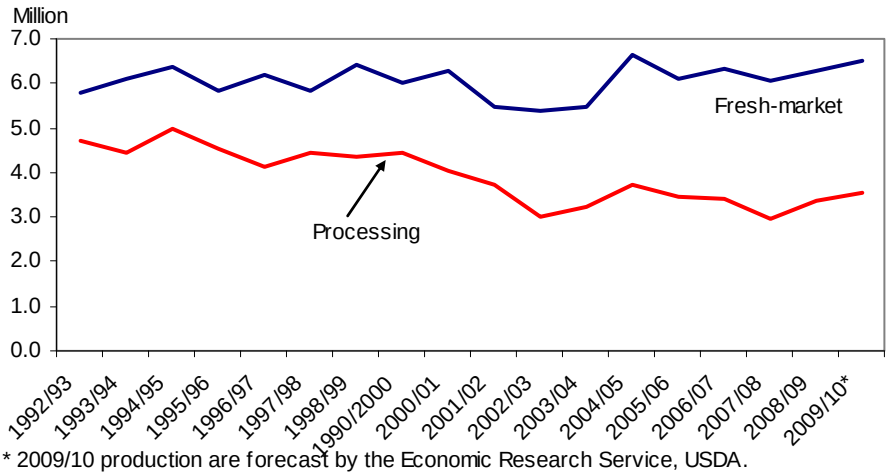
Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruit and Nuts 2008 Summary* and *Crop Production* (August 2009 issue).

season. Growers generally encountered minimal problems with frost and insect damage and ample moisture has aided fruit size. Michigan's 2009 crop will be up 75 percent from a year ago, totaling 1.1 billion pounds. A recent storm passing through Michigan's Sparta and Kent City area brought high winds and rain to the State's biggest production region, causing apples nearing harvest to drop to the ground and also damaging trees. As this occurred after the NASS forecast had been reported, there could be some downward adjustment to the current Michigan crop forecast. However, reports indicated that while some growers experienced significant production losses, damage from the storm was not widespread and the resulting impact on projected statewide production is likely to be small.

The forecast larger, good quality U.S. apple crop this year should bring ample supplies for the industry to meet demands in both the fresh and processing markets during the 2009/10 marketing season (August-July). These large supplies will likely put downward pressure on domestic apple prices, particularly for States expecting relatively large crops. Input on industry expectations regarding the level of apple production going into the fresh and various processing product markets were obtained from the U.S. Apple Association. These projections were based on historical and forecast production data from NASS. U.S. apple production for the fresh market for the 2009/10 season is projected to reach approximately 6.5 billion pounds, up 3 percent from the previous season (fig. 4). If realized, the U.S. apple industry would have to move a fresh-market crop that is only fractionally below the record production reported in 2004/05, leaving 3.5 billion pounds of raw material apples for the processing sector.

Apple harvesting for the 2009/10 season (August-July) is already in progress for some of the earlier varieties. Fresh shipments for the season through late August were running more than twice the volume shipped the same time last season, forcing grower prices lower. Movement of supplies to domestic and international channels continued strong through the end of last season but as of July 31, there were still 503.2 million pounds of apples remaining in cold storage, up 71 percent

Figure 4
U.S. apple production for fresh-market and processing



* 2009/10 production are forecast by the Economic Research Service, USDA.
Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruit and Nuts Summary,* various issues.

from the same time last year and 41 percent above the July average of the previous 5 years, based on NASS data. Domestic grower prices for fresh-market apples showed some strength early into the 2009/10 season, with August prices averaging $0.256 per pound, from $0.178 in July. However, relative to the three previous seasons, prices this August averaged significantly lower. U.S. consumers also found most apples cheaper than a year ago in August, the same way they did during most of first 7 months of 2009. Used as an indicator at the retail level, the CPI for apples in August, at 300.2 (1982-84=100), was 22 percent lower than the August 2008 index and the largest monthly decline so far for the year. To what degree the large supplies may hold apple prices down this season will depend on how fast the industry is able to clear the pipeline of previous-crop apples before the peak harvest time this fall in major production regions. Another factor likely to contribute to the downward pressure on apple prices would be the anticipated large U.S. pear crop this fall. However, reports of good quality and fruit size for the various apple varieties the industry has to offer should help temper possible price declines likely to come about this season.

Among the list of at least 20 major apple varieties in commercial production, Red Delicious will continue to be the leading variety produced in the United States in 2009, based on U.S. Apple Association data. Red Delicious apples are expected to represent nearly a quarter of the U.S. apple crop this year but production volume is anticipated to continue to trend downward as it has over the years. Back in the early 1990s, Red delicious apples accounted for around 43 percent of total domestic production. Over the years, declining demand for the more traditional Red Delicious variety has encouraged domestic apple growers to modify their varietal mix, forcing Red Delicious apple production down while expanding plantings of relatively newer varieties. Rounding out the top five varieties include Gala, Golden Delicious, Granny Smith, and Fuji apples. While production gains are expected this year for each of these other four leading varieties, the biggest gains are for less-produced mostly dual-purpose varieties such as Jonathan, Northern Spy, Idared which are more common in the Midwest and Eastern United States. Combined production of the top five varieties will represent 67 percent of this year's U.S. apple crop. Another 14 percent of production will be comprised of the next leading varieties—McIntosh, Rome, Empire, Cripps Pink, and Braeburn.

As the U.S. apple industry faces the possibility of having the second-largest fresh-market crop on record in 2009/10, ERS projects fresh apple imports to be down by about 2 percent from the last season's volume of 363.4 million pounds. Even with this decline, overall fresh-market supplies would increase by 3 percent to almost 7.0 billion pounds (table 4). The projected import volume is in line with average levels of the previous five seasons (2004/05-2008/09), most likely to be sourced from Chile, New Zealand, and Canada, historically the top three leading foreign suppliers of imported apples to the United States. Export demand for the season is expected to remain strong as is domestic demand. U.S. apple consumption for fresh use is projected to climb to an estimated 16.3 pounds per person, up 1 percent from the previous season. Despite the strengthening U.S. dollar and the uncertain global economic climate, other factors likely to contribute to the predicted growth in exports this season besides the large domestic production include the expected smaller apple crops in the European Union and in China which may open up more opportunities for U.S. exporters in those markets as well as in a number of markets in Asia where Chinese apples have shown a growing presence over the years.

Table 4--Fresh apples: Supply and utilization, 1990/91 to date

Season 1/	Supply			Utilization		
					Consumption	
	Utilized production	Imports	Total supply	Exports	Total	Per capita
			-- Million pounds --			*Pounds*
1990/91	5,515.0	229.7	5,744.7	818.0	4,926.7	19.58
1991/92	5,447.0	303.0	5,750.0	1,132.0	4,618.0	18.11
1992/93	5,767.0	259.4	6,026.4	1,082.2	4,944.2	19.14
1993/94	6,124.6	238.9	6,363.5	1,390.6	4,972.9	19.01
1994/95	6,368.8	286.9	6,655.7	1,526.7	5,129.0	19.37
1995/96	5,840.2	383.4	6,223.6	1,217.2	5,006.4	18.69
1996/97	6,206.9	373.3	6,580.2	1,518.3	5,061.9	18.67
1997/98	5,814.5	356.4	6,170.9	1,209.1	4,961.8	18.09
1998/99	6,412.5	344.2	6,756.7	1,487.8	5,268.9	18.98
1999/2000	5,995.7	377.5	6,373.2	1,175.2	5,198.1	18.50
2000/01	6,265.5	358.9	6,624.4	1,667.1	4,957.3	17.45
2001/02	5,467.5	361.4	5,828.9	1,353.1	4,475.8	15.59
2002/03	5,366.0	412.4	5,778.4	1,144.9	4,633.5	15.98
2003/04	5,453.3	472.7	5,926.0	986.3	4,939.7	16.88
2004/05	6,619.0	262.8	6,881.8	1,339.0	5,542.8	18.75
2005/06	6,096.9	348.8	6,445.7	1,488.4	4,957.3	16.65
2006/07	6,308.5	427.9	6,736.4	1,407.3	5,329.1	17.72
2007/08	6,077.3	381.2	6,458.5	1,484.1	4,974.4	16.39
2008/09	6,303.9	363.4	6,667.3	1,721.6	4,945.8	16.17
2009/10 F/	6,495.5	356.8	6,852.3	1,807.6	5,044.7	16.34

F= Forecast. 1/ Season begins in August.
Source: USDA, Economic Research Service calculations.

The projected 3.5 million pounds of U.S. apple production destined for the processing sector for 2009/10, if realized, will be 5 percent higher than in 2008/09 and the average production of the previous 5 seasons. This projected increase in processing production will likely put downward pressure on processing apple grower prices this season, although average price movements for six different apple processed products (juice and cider, canned, frozen, dried, fresh slice, and other) may vary, depending on market demand. The large crop last season led to a 14-percent increase in processing apple production, but the 2008/09 season-average grower price for processing apples remained fairly steady from the previous season at $189.0 per ton (or $0.094 per pound), relatively strong compared with previous seasons. The season-average prices growers received from each of the processed apple product markets in 2008/09 were significantly higher than the previous season, except for the grower prices paid by processors of apple juice and dried apples which fell. Growers received the largest price gain for apples used for the fresh sliced market.

Despite the economic recession, foodservice demand for fresh sliced apples continued to be robust in 2008/09, boosting grower apple sales to processors of fresh sliced apples up 13 percent in volume from the previous season, the second highest since production data was first reported in 2004/05, and grower prices increasing 78 percent to a record $511 per ton ($0.256 per pound). Projections for this season are for the volume of raw apple product to be utilized for processing to increase for all six of the apple processed product categories. The largest increases are expected for the more minor processed product categories—other, which includes vinegar, wine, and slices for pie making (up 24 percent from a year ago) and fresh slices (up 11 percent). Moderate increases of between 4 and 5 percent are predicted for the bigger product categories, especially juice (including cider) and canned. Based on these predicted increases, production to be utilized by juice processors would account for 45 percent of this season's total processing-apple production and those for the canned fruit sector would represent 35 percent.

Apple juice consumption in the United States has stayed relatively stable over the past five marketing seasons, hovering around 2.0 gallons per person (or 25 pounds per person on a fresh-weight basis). Even though juice processors receive the biggest share of U.S. processing apples, domestic apple juice demand is fulfilled, for the most part, by imports, most notably from China. Apple juice imports from China has been generally trending upward this past decade, increasing its share of domestic apple juice consumption from 10 percent in 2000/01 to a 60-percent average from 2006/07-2008/09 and driving overall apple juice imports up. Argentina, Chile, Brazil, Canada, and Turkey also continue to be significant suppliers to the United States for apple juice. With the projected slight increase in domestic production for 2009/10, per capita apple juice consumption in the United States for the season is more than likely to be on track with the steady trend, estimated to be 2.1 gallons per person, the same as in the previous season. Per capita consumption in 2008/09, however, was slightly down from the previous season because of lower imports. Faced with large carryover stocks from the previous season and weak demand worldwide, China's production of apple juice concentrate in 2008/09 was sharply reduced despite a bigger apple crop. The country's exports slowed, including those shipped to the United States, which declined 14 percent in volume.

U.S. apple juice exports during 2008/09 declined 11 percent from the previous season to 8.04 million gallons, single strength equivalents, still relatively strong compared with other previous seasons since 1999/00. This decline in volume and the lower prices last season drove export value down from $30.8 million in 2007/08 to $28.5 million. Overall export volume was lower because shipments slowed to Canada (which took 60 percent of total export volume) and to the Caribbean, Central America, and Europe. These declines exceeded the strong exports to Asia and most other markets in Latin America, including Mexico. While domestic production is likely to be up, earlier indications of a bigger apple crop in Canada could slow export demand again for U.S. apple juice in 2009/10.

2009 U.S. Pear Crop Forecast Up

NASS forecast the 2009 U.S. pear crop to be 1.87 billion pounds, 7 percent larger than in 2008 and bigger than any crop since 2001. Production is forecast larger even though crop size does not reflect production in four States (Colorado, Connecticut, Michigan, and Utah) that were dropped from the NASS production survey this year (table 5). With no adverse weather problems encountered this growing season, major producing States—Washington, California, and Oregon—all expect to harvest larger crops in 2009. Bartlett pear production, reported only for the three major States, is forecast to increase by 7 percent to 896 million pounds. Production of other variety pears (including those from States with lower production) is anticipated to also be up 7 percent, to 975 million pounds.

Based on a 62-percent average share, ERS projects that the increase in domestic production this year would lead to a 7-percent increase in fresh-market pear production for the 2009/10 season (July-June), totaling 1.2 billion pounds. If realized, fresh-market production for this season will be at a record-high, surpassing the previous record in 2000/01 and up 9 percent from average production during 2001/02-2008/09. Supply increases will come from the expected bigger crops of

Table 5--Pears: Total production and season-average price received by growers, 2006-08 and indicated 2009 production

State	Production 1/				Price		
	2006	2007	2008	2009	2006	2007	2008
	--- *Million pounds* ---				--- *Cents per pound* ---		
Pacific Coast:							
California:							
Bartlett	398	402	390	390	11.9	14.5	18.7
Other	80	84	96	110	29.5	29.3	34.5
Total	478	486	486	500	14.9	17.0	21.8
Oregon:							
Bartlett	126	118	113	126	19.2	18.8	19.8
Other	304	294	350	350	21.6	22.9	24.9
Total	430	412	463	476	20.9	21.7	23.7
Washington:							
Bartlett	330	326	332	380	17.3	18.7	18.5
Other	392	478	424	480	26.1	24.6	25.9
Total	722	804	756	860	22.1	22.2	22.7
Three States:							
Bartlett	854	846	835	896	15.1	16.7	18.8
Other	776	856	870	940	24.7	24.5	26.5
Total	1,630	1,702	1,705	1,836			
Colorado	5	3	4	2/	27.2	48.8	30.1
Connecticut	2	2	2	2/	55.0	65.0	67.0
Michigan	7	8	6	2/	16.0	22.5	20.7
New York	32	22	21	25	21.5	24.9	25.2
Pennsylvania	8	8	5	10	35.6	35.9	37.2
Utah	0.5	0.5	0.6	2/	31.8	38.0	36.5
Total	54	44	37	35			
United States							
Bartlett	854	846	835	896	15.1	16.7	18.8
Other	830	900	907	975	24.7	24.5	26.5
Total	1,684	1,746	1,742	1,871	19.9	20.8	22.8

1/ Includes unharvested production and production not sold. 2/ Forecasts discontinued in 2009.
Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruit and Nuts 2008 Summary* and *Crop Production* (August 2009 issue).

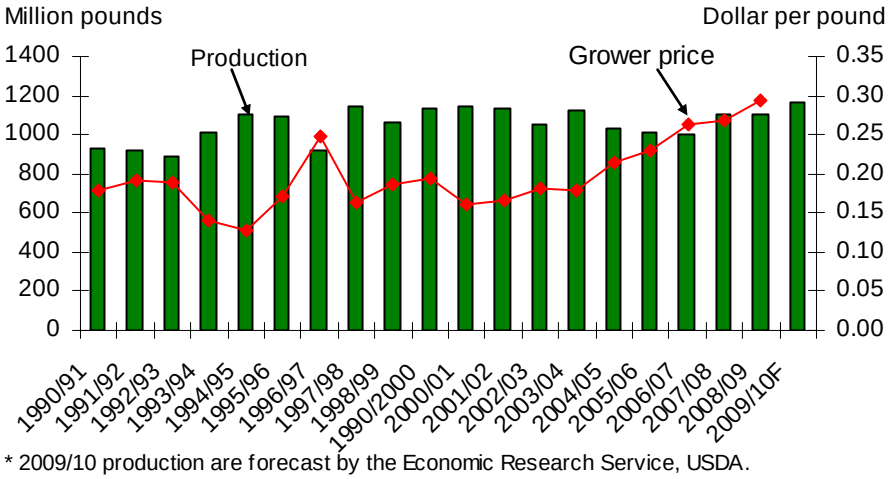
non-Bartlett pears and Bartlett pears. On average, non-Bartlett pears make up about 70 percent of fresh-market production and Bartlett pears provide the remainder.

The big fresh-market crop will likely put downward pressure on 2009/10 U.S. fresh-market pear grower prices (fig. 5). Possibly repeating last season's second-half period, prices could be further pushed down by the forecast large supplies of competing U.S. apples this season and also should export demand for U.S. pears remain sluggish as it did in 2008/09. Strong grower prices for fresh-market pears through much of the first half of last season, aided by a slightly reduced domestic production, small carryover stocks from the 2007/08 season, and an initial expectation of a relatively small domestic apple harvest drove the 2008/09 season-average grower price (for fresh-market pears) to a record high. The 2008 U.S. apple crop turned out to be much bigger than previously anticipated and fresh-market apple supplies in cold storage were at higher than average levels. Grower price declines for fresh-market apples through most of last season had rippling effects on second-half 2008/09 fresh-market pear grower prices, with January-June prices dropping an average 8 percent below a year ago the same time.

International demand for U.S. pears turned lackluster through most of 2008/09 and had further aggravated the market situation for domestic pears during the second

Figure 5

Fresh-market pears: U.S. production and grower price



* 2009/10 production are forecast by the Economic Research Service, USDA.
Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruit and Nuts Summary,* various issues.

half of last season. Overall exports last season totaled 331.1 million pounds, down 7 percent from the previous season with a corresponding decline in value to $154.4 million, 6-percent below the record value set in 2007/08, but higher than other previous seasons. Export volumes declined to major markets—Mexico, Canada, Russia, and Taiwan. Despite the Mexican import tariff initiated in March 2009, however, U.S. export volume to Mexico declined only slightly from the previous season during 2008/09. Mexico is the U.S. pear industry's biggest export market, the destination for over 40 percent of total export volume last season. Because efforts to resolve the tariff issue are still pending, demand for U.S. pears in Mexico in 2009/10 remain threatened by the continued presence of the high tariff and the impact on total exports will be determined by how much other countries will absorb of the expected large U.S. pear crop to offset any lost sales to Mexico.

Cumulative fresh pear shipments for this season through early September were running 6 percent below the same period last season but grower prices remain lower. More than 85 percent of the shipments to date were California pears (mostly Bartletts), the first to enter the market. Much of the remaining supplies were from Washington. Previous-crop supplies still available at the end of June were 81 percent higher than in June 31, 2008, affecting sales of new-crop California pears. Grower prices for fresh-market pears in July declined 18 percent from the previous month, and at $526 per ton ($0.263 per pound), was also 18 percent below the July 2007 average. Prices declined further in August to $426 per ton ($0.213 per pound), influenced by the seasonal build up in supplies, especially with California and Washington both having increased presence in the market. A relatively cold spring slowed crop development in the Northwest, delaying harvest by 3 to 5 days but this likely worked to some advantage for their growers, buying them some time to continue to clear previous crop supplies remaining in cold storage during the month of August. Though the average grower price in August was 22 percent below last year's August average of $546 per ton ($0.273 per pound), it was still the third highest average for any August in previous years. September prices likely remained lower as harvest in the Northwest was in full swing.

Over 70 percent of U.S. fresh pear imports occur during the second-half of the season (January-June), well past the harvest season for the domestic crop and when storage supplies comprise the available U.S. pears in the market. Even though domestic production declined in 2008/09, slow movement, especially to international markets, led to some diversion of supplies to the domestic market. Domestic supplies accumulated especially towards the second-half of the season, reducing the need for imports. Imports in 2008/09 declined 2 percent in volume to 185.1 million pounds and was also down 2 percent in value, at $99.4 million. Imports increased moderately from Argentina, the country's No. 1 supplier for imported pears, but this was offset by reduced volumes from Chile and South Korea, also major suppliers. Increased availability for the domestic market translated in a 1-percent increase in per capita consumption of fresh pears during 2008/09, reaching an estimated 3.12 pounds per person. For the current season, even if imports drop slightly and exports increase moderately, the expected bumper U.S. pear crop, the good quality of the crop, and lower prices thus far should help boost fresh-market domestic demand.

Over 60 percent of U.S. Bartlett pears move through the processing sector each year, mostly to canned fruit processors. Domestic processors could expect a rise in raw material pears for the 2009/10 marketing season given the expected larger Bartlett pear crop this year and in light of this increase, processing pear grower prices for the season are likely to soften. Processor demand was strong in 2008/09 as reflected by the record-high prices that growers received for their pears (averaging $227 per ton) even as processing-use production remained relatively flat compared with the previous season. Rising imports and declining demand for canned pears on the domestic front have led to downward trend in U.S. canned pear production over the past 10 years. Imports surged from China in the last few years (although volumes fluctuated from year to year) but for the most part, U.S. canned pear supplies are still mostly from domestic production. Canned pear exports represent about 3 to 4 percent of domestic production and volume levels during the past three seasons, though below the record highs achieved during the middle part of this decade, remain higher than during the 1990s and the early part of this decade. Domestic consumption of canned pears was estimated at 2.24 pounds per person in 2008/09, down from the average 3.08 pounds per person during the late 1990s and early 2000s and relatively flat compared with the three previous seasons.

Smaller U.S. Grape Crop Boosting Fresh-Market Prices

The 2009 U.S. grape crop is forecast by NASS at 14.1 billion pounds, 4 percent smaller than a year ago (table 6). While only five of the 13 States included in NASS' annual production survey reported smaller grape crops for this year, included among the five were major grape-producing States—California (the primary producer), New York and Pennsylvania. Washington and Michigan were the exceptions among these larger producers, with production forecast up 13 percent and 33 percent, respectively, from a year ago. Two other States expecting lower production are Missouri and Ohio.

California's 2009 grape crop is forecast at 12.5 billion pounds, down 4 percent from a year ago but an average-sized crop in historical terms. Production declines are anticipated for California's table and raisin grape crops but wine grape production is forecast to be 8-percent larger than a year ago. California's table grape crop is

Table 6--Grapes: Total production and season-average price received by growers in principal States, 2006-08 and indicated 2009 production

State	Production				Price		
	2006	2007	2008	2009	2006	2007	2008
	-- *Million pounds* --				-- *Cents per pound* --		
Arizona	2	2	2	1/	41.6	2/	38.8
Arkansas	5	1	3	5	31.1	2/	54.0
Georgia	6	6	7	7	63.5	60.0	56.5
Michigan	65	200	147	196	16.8	14.3	18.2
Missouri	8	5	10	10	34.9	46.6	48.1
New York	310	360	344	280	13.1	15.0	17.0
North Carolina	10	7	11	11	51.5	63.5	58.5
Ohio	6	15	11	9	30.4	19.5	17.8
Oregon	69	77	69	74	87.5	94.0	102.5
Pennsylvania	164	168	214	148	12.4	13.5	14.6
Texas	14	10	8	14	60.0	58.0	60.0
Virginia	12	11	14	14	72.0	70.0	76.5
Washington							
Wine	240	254	290	310	47.1	47.7	51.5
Juice	392	538	410	480	8.7	10.1	12.7
All	632	792	700	790	23.3	22.2	28.8
Total 3/	1,303	1,654	1,543	1,558			
California:							
Wine	6,352	6,576	6,110	6,600	29.1	28.2	30.5
Table	1,434	1,582	1,944	1,700	44.9	39.4	20.3
Raisin 4/	3,666	4,302	5,010	4,200	13.9	13.9	13.4
All	11,452	12,460	13,064	12,500	26.2	24.7	22.4
United States	12,755	14,115	14,607	14,058	26.0	24.5	23.0

1/ Estimates discontinued in 2009. 2/ Estimates not reported to avoid disclosure of individual operations.
3/ Some figures may not add due to rounding. 4/ Fresh weight of raisin-type grapes.
Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruit and Nuts 2008 Summary* and *Crop Production* (August 2009 issue).

forecast to be 13 percent smaller in 2009, at 1.7 billion pounds. Despite mostly favorable weather during the growing season, the grape vines needed to replenish their nutrient reserves following last year's bumper crop. While down from last year, California's table grape crop this year, if realized, will be 11 percent bigger than the 5-year average crop size during 2003-2007 and the third largest crop on record. This year's California raisin grape crop is forecast to decline 16 percent to 4.2 billion pounds due mostly to lower bunch counts. Forecast at 6.6 billion pounds, wine grape production in California, if realized, will make up 53 percent of the State's total crop, be higher than the past 3 years, and rank as the third largest crop on record. Reports of higher bunch counts helped boost wine grape production, with most significant increases seen in Carbernet Sauvignon, Merlot, Rubired, Ruby Cabernet, and Syrah varieties.

Production in Washington is forecast at 790 million pounds, with increases anticipated for both the wine-grape and juice-grape crops. Favorable growing conditions helped boost the State's juice grape production to 480 million pounds, up 17 percent from a year ago. Washington's wine grape production could potentially reach a record high at 310 million pounds, up 7 percent from the previous record achieved last year as more acres are reaching full production.

Production in New York for 2009 is forecast to be the lowest in the past 10 years, at 280 million pounds, down 19 percent from a year ago. The crop experienced some problems with frost during the growing season and cool, wet conditions not only

slowed crop progress but also contributed to disease and mildew problems. Affected by similar weather problems, production in Pennsylvania is forecast to decline 31 percent to 148 million pounds due to poor fruit set and mildew problems. While increasing from a year ago, Michigan's 2009 grape crop, forecast at 196 million pounds, was slow to progress due to cool summer temperatures.

Fresh-Market Grape Production Projected Lower in 2009/10: U.S. production of grapes for the fresh market in 2009/10 will likely be down from the previous season given the forecast smaller table grape crop in California. California produces nearly all the fresh-market crop but anticipated smaller crops in several other States, most especially in New York and Pennsylvania, will also drive down fresh-market production for this season. ERS projects fresh-market grape production for 2009/10 to be down 7 percent from last season, totaling around 1.8 billion pounds, still a fairly significant volume as it registers 4 percent higher than average fresh-market production during 2003/04-2007/08. Shipments this spring from the Coachella Valley, California's early-growing region in the south, ended in July with overall volume lagging 23 percent from the previous season, based on AMS data. Light supplies from the Coachella Valley, along with a 20-percent decline in fresh grape imports, mostly from Mexico, from May through July, led to much higher early-season grower prices for fresh-market grapes in 2009/10. Grower prices in June and July rose sharply from average prices reported for the same periods the previous two seasons and were the second highest on record for the respective months. Consumers also paid about 3-4 percent more for a pound of red or green grapes in those two months compared with the same time a year ago, averaging $1.67 per pound in June and $1.64 per pound in July.

Harvest of table grapes went into full speed in July in California's San Joaquin Valley, the main production region. Because many of California's table grape varieties were ahead on crop maturity compared with last season, cumulative shipments from the region this season through mid-September were running 13 percent higher, driving down grape prices. At $440 per ton ($0.22 per pound), the average grower price in August declined from $930 per ton ($0.465 per pound) the previous month and was the lowest for the month ever since monthly prices for grapes were first reported by NASS in 1995. Grape prices also softened at the retail level, declining to $1.39 per pound in August, 8 percent lower than the same time last year. Because of the accelerated shipments to date, most table grape varieties are likely to finish their season sooner suggesting late-season supplies are likely to be tight and could bring about stronger prices relative to the same time last season.

Light early-season domestic supplies from the Coachella Valley slowed U.S. fresh grape shipments to international markets during the first two months (May-June) of the 2009/10 season, with both the volume and value of shipments declining to a record low for this period in the past 20 years. Export shipments rose seasonally in July with increased availability of supplies from the San Joaquin Valley. Volume shipped to export markets exceeded the level in July 2007 by 19 percent, but cumulative exports for the season, May through July, remained relatively unchanged from that of the same time last year. Canada was the destination for nearly half of the exports for this season. Shipments to Canada, the largest export market for U.S. fresh grapes, remained unchanged while those to Australia, the Philippines, Hong Kong, and Indonesia increased. Strong exports to these markets, however, were somewhat offset by sharp cuts to Mexico and South Korea, countries on the top 5 list of export markets for U.S. fresh grapes. U.S. grape exports to

Mexico fell 57 percent while those to South Korea fell 51 percent. Aside from low supplies at the beginning of the season, Mexico's retaliatory imposition of a 45-percent tariff on U.S. grape exports earlier this year, after a dispute with the U.S. regarding the elimination of a cross border trucking pilot program under the North American Free Trade Agreement, may have also discouraged early-season shipments to the country. The 2009/10 U.S. fresh grape season was already beyond its peak period for the season by the end of summer and efforts to resolve this tariff issue remain in progress, therefore, exports to Mexico this summer likely continued to remain low.

Fresh grape per capita consumption fluctuates year-to-year although the general trend has been upwards over the past 20 years (table7). Reduced domestic production will likely pull down consumption during the 2009/10 season, however, ERS anticipates domestic fresh grape demand for the season to remain within the normal range of the past few seasons. Per capita consumption is projected to decline only by about 1 percent from the estimated 8.53 pounds per person in 2008/09, keeping demand on track with the long-term upward trend. A projected moderate growth in imports of about 3 percent will help supplement demand, with most of the growth occurring in the winter time when the domestic season has finished and with Chile playing a key role. With the current projected fresh-market production, imports would need to increase by at least 11 percent from the 1.38 billion pounds total in 2008/09 to see a rise in total domestic supplies this season. Recent increases in imports have been mostly smaller than 11 percent. If imports remain unchanged from last season, domestic fresh grape supplies for the 2009/10 season would decline 4 percent. Reduced shipments from Mexico drove down imports at the early part of this season, with May-July volume down 17 percent from the same period in 2008/09.

Table 7--Fresh grapes: Supply and utilization, 1990/91 to date

Season	Supply			Utilization		
					Consumption	
1/	Utilized production	Imports	Total supply	Exports	Total	Per capita
			-- Million pounds --			*Pounds*
1990/91	1,698.0	728.5	2,426.5	458.5	1,968.0	7.82
1991/92	1,600.8	690.2	2,291.0	438.6	1,852.4	7.26
1992/93	1,538.1	714.1	2,252.3	412.6	1,839.7	7.12
1993/94	1,601.0	680.7	2,281.7	455.3	1,826.5	6.98
1994/95	1,617.1	719.1	2,336.2	474.2	1,861.9	7.03
1995/96	1,705.2	792.6	2,497.8	500.2	1,997.5	7.46
1996/97	1,534.1	746.5	2,280.6	457.1	1,823.5	6.73
1997/98	1,874.2	862.2	2,736.4	606.6	2,129.8	7.76
1998/99	1,561.6	874.6	2,436.2	446.1	1,990.1	7.17
1999/2000	1,774.3	993.7	2,768.1	530.0	2,238.1	7.97
2000/01	1,813.7	954.9	2,768.6	655.7	2,112.9	7.44
2001/02	1,728.7	1,043.5	2,772.2	656.4	2,115.7	7.37
2002/03	1,964.7	1,174.4	3,139.1	702.4	2,436.6	8.40
2003/04	1,610.9	1,258.7	2,869.6	632.2	2,237.4	7.64
2004/05	1,765.2	1,225.7	2,990.8	691.5	2,299.4	7.78
2005/06	1,991.2	1,406.0	3,397.2	838.3	2,558.9	8.59
2006/07	1,595.2	1,291.2	2,886.4	604.3	2,282.1	7.59
2007/08	1,840.7	1,255.1	3,095.8	663.4	2,432.3	8.01
2008/09	1,970.4	1,379.2	3,349.6	740.8	2,608.8	8.53
2009/10 F/	1,829.3	1,424.3	3,253.6	658.3	2,595.4	8.41

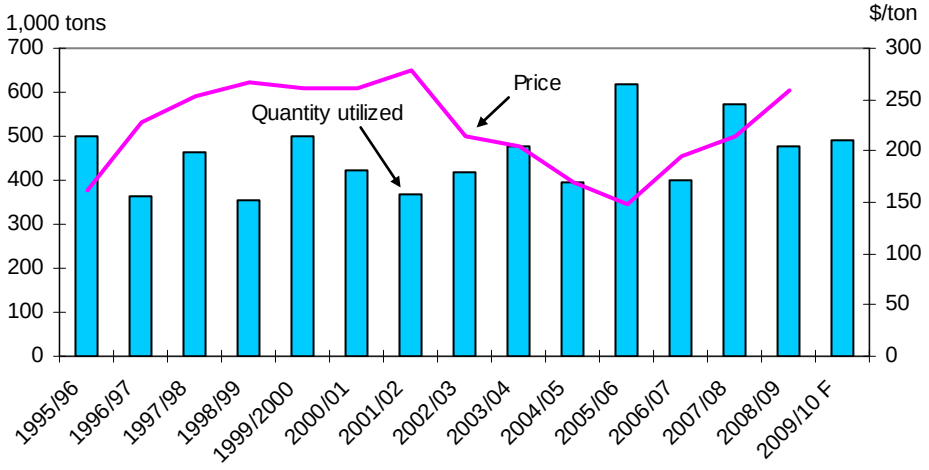
1/ Season beginning May from 1990/91 to date. A July-June marketing season used prior to 1990/91.
2/ Preliminary.
Source: USDA, Economic Research Service calculations.

Supply of Grapes for Processing Also Projected Lower: The smaller U.S. grape crop this year will also likely reduce the overall quantity of grapes made available to processors for the 2009/10 season. However, putting into consideration the producing States and the type of grape crop (wine, table, or raisin type grapes) expecting production declines this year, effects of these reduced supplies will likely vary among processed grape product markets. Based on average shares of domestic production, ERS has projected quantities of raw material grapes for raisin producers and processors in the canned fruit sector to decline 11 percent and 13 percent, respectively, during 2009/10 from the previous season. The main factor influencing this decline is the reduced California raisin-type grape crop for this season. ERS, however, projects a 2-percent increase in the quantity of grapes for juice processors this season and about a 1 percent higher supply of grapes for wineries.

Market for Juice Grapes Likely To Soften: U.S. grower prices for juice grapes will likely soften in 2009/10 from the previous season given the likeliness of having more U.S. grapes made available to juice processors from this year's harvest. The projected increase in juice grape production this season stems from the forecast bigger grape crops in Washington and Michigan. All of Washington's juice-type grape crop and around 90 percent of Michigan's grape crop is for juice production. Together, these two States make up more than half of all U.S. grapes utilized by juice processors. Since the dip in production in 2006/07, processor demand for domestic juice grapes has been strong, marked by increasing grower prices over the past two seasons (fig. 6). In 2007/08, grape production utilized by juice processors increased 44 percent from the previous season to 573,400 tons (fresh-weight basis) while the season-average grower price for these grapes increased 11 percent to $215 per ton. In 2008/09, the quantity of grapes utilized by juice processors declined 16 percent from the previous season to 479,130 tons (fresh-weight basis), boosting the season-average U.S. grower price for juice grapes 21 percent higher to $260 per ton, the highest average price since the record high of $278 per ton in 2001/02.

Figure 6

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



F = Forecast.

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

U.S. grape juice imports in 2008/09, August through July declined 19 percent in volume from the previous season. The decline mostly reflected the lower shipments from key foreign suppliers except Chile and Canada. U.S. import demand for Chilean grape juice was very strong last season because of reduced supplies from Argentina, the United States' main source for imported grape juice. Imports from Chile posted an 11-percent increase in per unit export value of juice, even though shipment volume increased more than three times as much as in 2007/08.

Domestic Raisin Production Likely To Decline: Following two back-to-back bumper crops, the California raisin grape crop for the 2009/10 season is forecast to be down 16 percent, strongly suggesting a decline in U.S. raisin production. This season will be the second year of the three-year agreement between the Raisin Bargaining Association and the region's packers for a minimum price growers were to receive for their grapes. Due to two consecutive bumper crops, raisin shipments to domestic and international markets were at near-record highs (was a record high for exports in 2007/08) during 2007/08 and 2008/09. These high shipments, however, have depleted inventory levels and are keeping grower prices relatively strong, according to industry sources. The current minimum contract price set for the 2009 harvest is $1,323 per ton, compared with $1,310 set for last year's crop. The minimum price is based on a sliding scale, allowing raisin prices to adjust up or down from the minimum agreed priced based on the final production levels. NASS data show that in 2008/09, the season-average grower price for raisin grapes utilized by raisin processors rose 13 percent from the previous season to $1,170 per ton, but was lower than the $1,310 per ton minimum price set for last year's harvest.

Record-high raisin imports in the United States during 2006/07 were followed by declines during the past two marketing season, partly a result of big domestic crops harvested during that period. In 2008/09, import volume totaled 42.5 million pounds (or 21,270 tons), down 11 percent from the previous season. Significant shipment declines from South Africa, Mexico, and Argentina more than offset the slightly higher imports from Chile, the United States' No. 1 foreign source for raisins, and increases from China and Turkey. The potential drop in U.S. raisin production for 2009/10, along with dwindling inventories, will likely provide a boost to import demand this season.

U.S. raisin exports have been strong the past two seasons (2007/08 and 2008/09). Exports were at a record high volume in 2007/08 and although dropping 5 percent in 2008/09, total volume remained well above the previous seasons and was the second highest on record. More than half of the exports went to the top five international markets—the United Kingdom, Japan, Germany, Canada, and China. Of these five, 2008/09 exports were down by at least 11 percent to the top 3 markets and down 8 percent to China.

Quantity of Grapes To Be Crushed for Wine up Slightly: In light of the forecast higher wine grape production in California and Washington, total grapes crushed for wine in the United States is anticipated to increase in 2009/10, likely putting downward pressure on overall grower prices for grapes sold to wineries this season. The season-average price reported for 2008/09 was $574 per ton, up from $548 per ton in 2007/08. Even though domestic grape production volume utilized by wineries last season was almost the same as the previous season, the smaller California wine grape crop in 2008 led to a strong overall market for U.S. wine grapes. Typically, California's wine grape crop provides over 80 percent of all the

U.S. grapes crushed for wine production each year. While California's wine grape crop is forecast up 8 percent for this season, this increase will likely translate to a smaller increase in the quantity of grapes crushed for wine production, moderated by forecast declines in the State's table and raisin grape production used for making wine. Together, table and raisin grapes account for over 10 percent of all California grapes utilized for wine production each year. Overall crush volume for wineries will also be moderated by forecast production declines in New York, Pennsylvania, and Ohio.

2009 U.S. Cranberry Crop Second Largest on Record

Harvest started in September for this year's U.S. cranberry crop, forecast by NASS to total 709 million pounds, 10 percent below the 2008 record crop (table 8). While down from a year ago, this will be the second-largest crop on record, if realized, and potentially 11-percent bigger than the average crop size during 2003-07. Combined with large carryover inventories from last season, supply availability during the 2009/10 marketing season is expected to be plentiful, especially for the processing sector, likely putting downward pressure on grower prices.

Driving down overall crop size in 2009 are the expected smaller crops in Wisconsin and Massachusetts, the top two cranberry-producing States. Together, production in the two States will account for 83 percent of the U.S. cranberry crop. Coming off of a record-large crop in 2008, production in Wisconsin for this year is forecast down to 400 million pounds. Although 11 percent smaller than last year, this year's crop would still be larger than the production for any previous crop year. While this year's decline is mostly attributed to the fact that most of the bogs are recovering from the heavy yields produced last year, there were also reports that a delayed spring and cool temperatures this summer reduced berry size. A bigger decline is anticipated for the Massachusetts crop, forecast at 190 million pounds for 2009, down 20 percent from a year ago. Weather factors mostly contributed to this decline, including cool, rainy conditions, lack of sunshine during pollination which resulted in reduced yields, and a late spring frost that damaged some of the bogs.

In New Jersey, Oregon, and Washington, weather conditions were generally good during the growing season, contributing to increased production this year. While producing the smallest volume among the five cranberry-producing States that

Table 8--Cranberries: Total production and season-average prices received by growers, 2006-08, and indicated 2009 production

	Production				Price		
State	2006	2007	2008	2009	2006	2007	2008
	-- Million pounds --				-- Cents per pound --		
Massachusetts	189	152	237	190	41.3	49.8	57.6
New Jersey 1/	49	53	51	54	39.2	46.1	51.8
Oregon	47	50	40	49	48.3	59.6	91.5
Washington	11	18	11	16	45.5	49.6	55.5
Wisconsin	394	383	447	400	40.2	50.5	55.4
United States	689	655	787	709	41.1	50.7	57.7

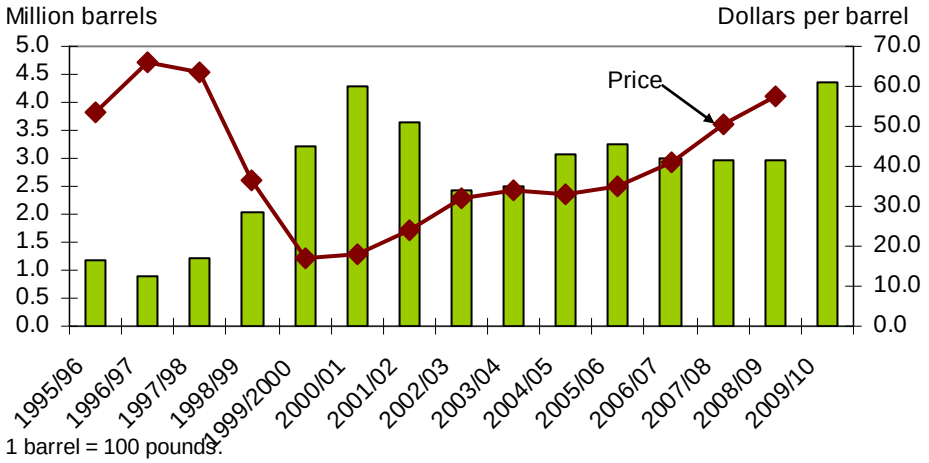
1/ Small quantities of fresh cranberries are included in processed to avoid disclosure of individual operations.
Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruit and Nuts 2008 Summary* and *Cranberries* (released August 2009).

NASS surveys annually, Washington's crop is expected to experience the biggest boost in production this year, forecast up 42 percent from a year ago at 16 million pounds. Area harvested to cranberries in Washington has remained relatively steady over the last few years, even though renovation of previously abandoned bogs continues to take place. Growers anticipate being able to harvest from recently renovated bogs as early as next year, potentially leading to production expansion in the coming years, barring any adverse weather conditions that could negatively affect yields. Besides excellent pollination results, some newly renovated bogs in Oregon could be harvested this year, further contributing to increased production. Crop size for 2009 is forecast up 23 percent from a year ago while New Jersey's crop is forecast up 6 percent.

Based on data from the Cranberry Marketing Committee (CMC), larger-than-average carryover inventories from the 2008/09 season and potentially slightly higher imports from Canada would drive up overall domestic supplies for the 2009/10 season 7 percent from last season. This increase could diminish the expected price gains normally resulting from a smaller crop, likely leading to softer grower prices this season, particularly for processing cranberries. CMC is estimating carryover inventories of 4.34 million barrels in 2009/10, up 43 percent from last season's carryover volume and well over the 3.0 million barrels the industry feels it should maintain in inventories to sufficiently meet demand for the current marketing season based on previous sales performances (fig. 7). Carryover volume each year during 2006/07 through 2008/09 has been slightly short of the minimum 3.0 million barrels needed by the industry and the last time CMC reported carryover volume rising to at least 4.0 million barrels was in 2000/01 when the domestic industry was in the midst of resolving a glut situation in the market. Domestic production in 2000/01 was reported by NASS to be down 10 percent from the previous season and although grower prices rose during that period, the average price for the season registered close to the record-low in 1999/2000.

Figure 7

Carry-in cranberry inventories in the United States and average grower prices



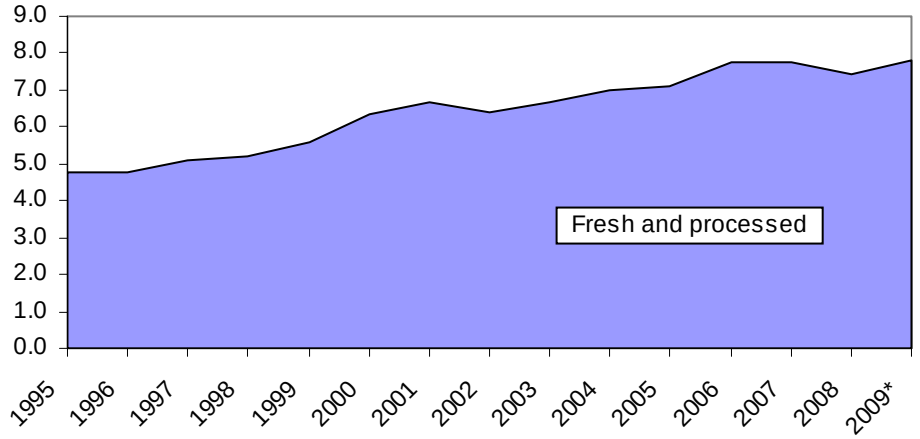
1 barrel = 100 pounds.

Sources: Inventory data from the Cranberry Marketing Committee; Price from USDA, NASS, *Noncitrus Fruit and Tree Nuts Summary*, various issues.

Figure 8

U.S. cranberry sales rising

Million barrels



* Projection.

Source: Data from the Cranberry Marketing Committee.

The U.S. cranberry industry has remained proactive in their marketing promotion efforts focused on the health-promoting attributes of cranberries and product diversification. As a result, recent demand for cranberries has been strong, marked by increasing grower prices even during bigger crop years. Since 2002/03, total U.S. cranberry sales has increased year-after-year until dropping slightly in 2008/09 from the record-high volume achieved in 2007/08 (fig. 8). Sales volume averaged over 7.0 million barrels in each of the past 5 years, from slightly over 6.0 million barrels in the early-2000s and around 4.8 million barrels in the mid-1990s. The domestic market remains as the main market for U.S. cranberries with processed cranberries representing about 95 percent of total sales volume (includes domestic and foreign sales). Increased sales to international markets have contributed to maintaining strong overall sales for the U.S. cranberry industry over the past two marketing seasons. In 2008/09, 25 percent of U.S. cranberry sales were sold internationally, specifically in Europe, Japan, Korea, Mexico, and Australia. In 2007/08, this share was 20 percent and 10 years back, it was around 11 percent.

For the current season (2009/10), U.S. cranberry sales are projected to increase to a record 7.8 million barrels, up 5 percent from the previous season. Despite smaller crops in Massachusetts and Wisconsin, CMC projects fresh sales this season to hold steady at 300,000 barrels, relatively unchanged from 2008/09 but lower than the highs achieved during the previous two seasons. At the same time, projections are for processed U.S. cranberry demand to improve in 2009/10, with total volume of sales (to foreign and domestic markets) likely increasing 5 percent from last season.

Ample Fresh Orange Supplies Forecast for First Half of 20009/10 Season

NASS has released its first estimate for the 2009/10 California navel orange crop, forecasting production at 1.5 million tons, 16 percent higher than last season's revised crop estimate of 1.3 million tons. The forecast was based on a survey of California's Central Valley's groves in July and August. The Central Valley accounts for 98 percent of the State's navel orange crop. The increase is due to a 46

percent higher fruit set per tree and expected bigger average size per fruit over last season. Although the survey results showed a higher fruit set at 294 pieces per tree, last season's set was lower than any season during at least the past 20 years. This season's set is still very low, forecast to be the second lowest since 2002/03.

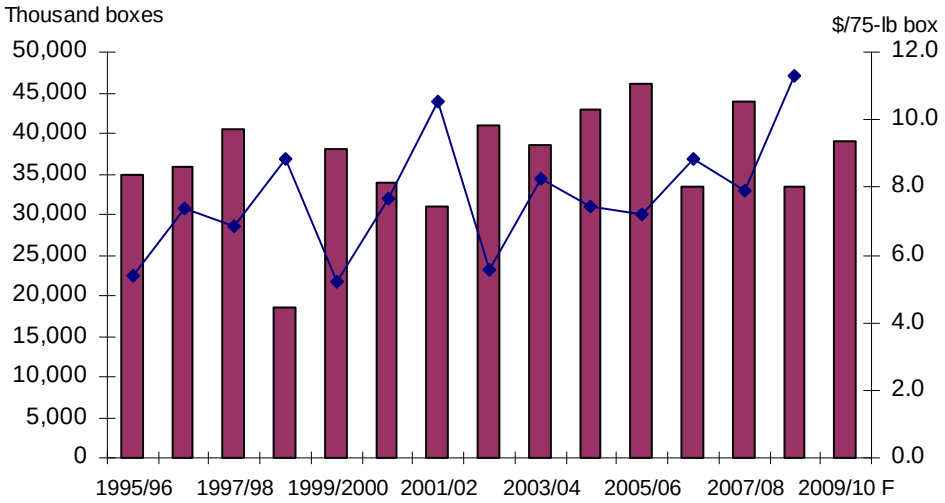
The 2009 *Citrus Summary*, released September 24, reports the season-average, equivalent-on-tree price for California navels in 2008/09 was $11.31 per 75-lb box (fig. 9). Due to the expected bigger crop this season, California navel orange growers are likely to receive a lower price per box than last season.

Florida's Citrus Acreage Continues To Decline for New Crop Season

NASS reports that according to its preliminary Commercial Citrus Inventory, Florida's total citrus acreage decline 1.3 percent between 2008/09 and 2009/10, down for the sixth consecutive year (fig. 10). The number of acres removed from production in response to citrus canker and citrus greening diseases outweighed the number of new acres planted. On a good note for the industry, there are more acres with new plantings this season than the annual average since 2006.

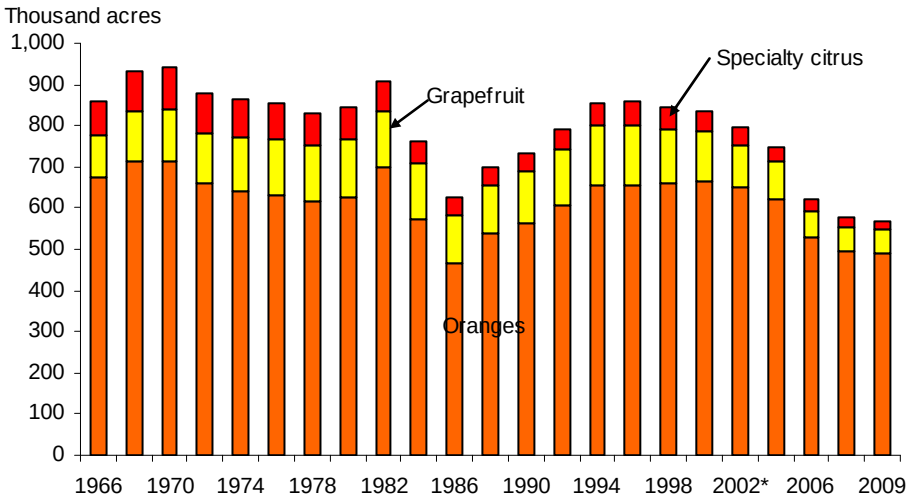
The inventory showed a 1-percent decline in orange acreage. At 492,529 acres in 2009, Florida has fewer acres planted to oranges than at any time since 1986, after the industry had been harmed by several major freezes. As a result of 5 consecutive years of decline, Florida's orange acreage has shrunk by almost a third from the quantity in 1970. Among the nonbearing acres, trees planted within the past several years that are not yet producing a commercial crop, the Valencia orange comprises the biggest share of new trees. Valencia oranges have become increasingly important to the industry because they are what are used to make not-from-concentrate orange juice, the predominant form of orange juice sold at retail.

Figure 9
California navel orange production and grower price, 1995/96-2009/10F



F = Forecast.
Source: USDA, National Agricultural Statistics Service, various reports.

Figure 10
Florida's commercial citrus acreage, 1966-2008



* Between 2002 and 2008, survey was done biennially.
Source: USDA, National Agricultural Statistics Service, *Commercial Citrus Inventory*, 2009.

Florida's grapefruit acreage is almost half the quantity that existed just 7 years ago in 2002. Damage from several hurricanes, disease, and declining demand for grapefruit have all contributed to the reduced number of acres. The citrus diseases present in Florida have also reduced citrus nursery stock, and grapefruit growers wanting to replant acreage have been faced with limited tree availability. As a result, less than 4 percent of the State's total grapefruit trees are nonbearing.

As with its orange and grapefruit acreage, Florida's specialty citrus acreage has also been declining over the past several years. Made up mostly of tangerines, specialty citrus acreage is half the size it was in 2000 and one-fifth the size it was in 1970. Like the State's other citrus fruit, specialty citrus acreage has been devastated by diseases and hurricanes. Florida's tangerine producers also have been facing increasing competition from clementines and other mandarin varieties of specialty citrus not grown in the State, most of which is imported into the United States, but now also being produced in California. As a result, there are fewer new plantings of the early variety tangerines compared with the late-Honey variety which still remains popular.

NASS releases its first forecast for Florida citrus production October 9. Early, independent estimates have indicated a smaller orange crop than last season. If realized, a smaller crop would help boost orange grower prices this season. Also helping the prices they will receive for this year's crop is an upswing in demand for orange juice since the spring. After being stagnant for the past few seasons, industry data has shown an increase in orange juice movement. The increase helps drive down high inventories that have been putting downward pressure on demand for fruit by processors. This change in demand, along with a potentially smaller crop this season could push grower prices above the past few seasons.

California's 2009 Walnut Crop Forecast Down From Last Year

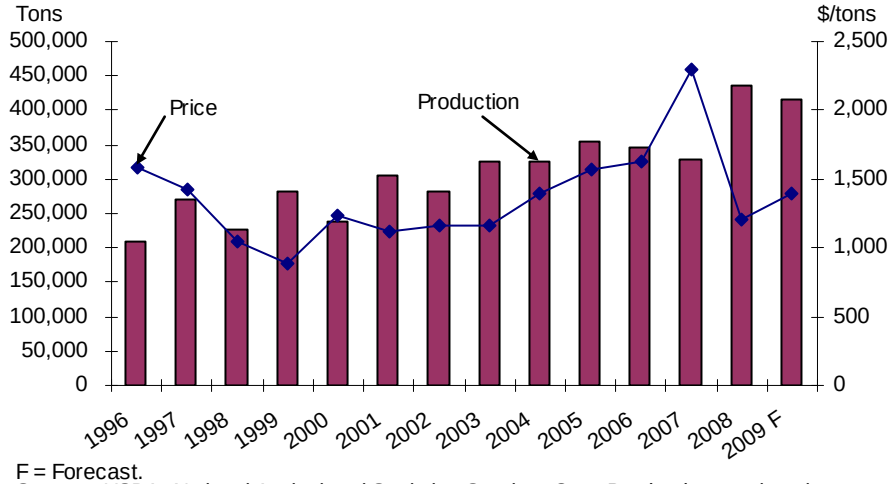
NASS forecasts the 2009 California walnut crop at 415,000 tons, according to the results of the 2009 California Walnut Object Measurement Survey released September 4. If realized, it would be down 5 percent from last year's record crop of 436,000 tons, but still the second largest on record (fig. 11). The survey found that the number of walnut bearing acres remained unchanged from last year at 223,000 acres, and the number of trees per acre increased only slightly from 65 trees per acre in 2008 to 65.1 trees in 2009. Therefore, an expected 5-percent decline in yields per acre is responsible for the forecast reduced crop size. Walnut trees are typically alternate bearing and the reduced crop size this season was expected. A 5-percent decline, however, is less than the usual swing in production over the past three decades. Therefore, it would not be surprising if next year's crop also declined.

ERS forecasts walnut consumption for the 2008/09 season to have increased 1 percent to slightly over one-third pound per person from the previous season (table 9). The record big 2008 crop provided ample supplies for the export market which typically account for about half of each season's walnut supplies. Shipments were up to the industry's No. 2 and No. 3 markets—Spain and Germany—but down to the No. 1 market, Italy. Major jumps in shipment to China and Hong Kong occurred this season for inshell walnuts and throughout much of Asia for shelled walnuts.

Oregon's Hazelnut Crop Forecast Higher Than Previous 2 Years

The preliminary forecast for Oregon's 2009 hazelnut crop is 38,000 tons, 19 percent higher than last year and 3 percent higher than in 2007. Oregon accounts for most of the U.S. hazelnut crop and its production is the only data reported by NASS.

Figure 11
Walnut production and grower price, 1996-2007F



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

Table 9--Walnuts: Supply and utilization (shelled basis), 1995/96 to date

Season 1/	Utilized production	Loss and exempt	Marketable production	Imports	Beginning stocks	Total supply	Ending stocks	Exports	Domestic consumption	
									Total	Per capita
	Thousand pounds									*Pounds*
1995/96	197,786	845	196,940	2,308	56,940	256,188	55,269	98,275	102,644	0.38
1996/97	170,444	819	169,625	5,815	55,269	230,709	40,346	102,724	87,639	0.32
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
1999/00	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	194	80,004	323,295	57,505	113,966	151,825	0.52
2003/04	279,429	857	278,571	439	57,505	336,515	63,210	126,086	147,219	0.50
2004/05	282,360	869	281,491	801	63,210	345,503	52,577	137,908	155,017	0.52
2005/06	315,989	890	315,099	1,050	52,577	368,726	39,288	205,380	124,058	0.42
2006/07	296,931	858	296,073	2,258	39,288	337,619	19,687	156,919	161,013	0.54
2007/08	280,427	855	279,573	8,714	19,687	307,973	19,885	175,359	112,729	0.37
2008/09 F/	376,858	864	375,994	2,004	19,885	397,883	57,824	225,000	115,059	0.38

F = Forecast. 1/ Season begins August 1 of first year shown until 2002/03 when it begins September 1.
Source: USDA, Economic Research Service calculations.

Table10--Hazelnuts (filberts): Supply and utilization (shelled basis), 1995/96 to date

Season 1/	Utilized production	Loss and exempt	Marketable production	Imports	Beginning stocks	Total supply 3/	Ending stocks	Exports	Domestic consumption	
									Total	Per capita
	Thousand pounds									*Pounds*
1995/96	30,186	1,591	28,595	11,182	343	40,120	1,725	13,268	25,127	0.09
1996/97	14,641	838	13,803	3,165	1,725	18,694	398	13,923	4,373	0.02
1997/98	34,136	2,712	31,423	8,628	398	40,449	1,380	20,308	18,760	0.07
1998/99	12,477	744	11,733	12,466	1,380	25,579	91	10,167	15,320	0.06
1999/00	31,561	1,040	30,520	12,713	91	43,324	5,609	11,327	26,389	0.09
2000/01	18,052	639	17,414	11,650	5,609	34,673	1,854	14,701	18,118	0.06
2001/02	39,600	1,512	38,088	15,195	1,854	55,137	6,784	22,529	25,823	0.09
2002/03	15,600	338	15,262	16,387	6,784	38,434	5,930	9,929	22,575	0.08
2003/04	30,224	734	29,490	10,902	5,930	46,321	3,633	25,589	17,099	0.06
2004/05	28,548	1,359	27,189	12,768	3,633	43,591	1,114	21,687	20,790	0.07
2005/06	20,806	783	20,023	12,082	1,114	33,218	540	26,035	6,643	0.02
2006/07	37,116	671	36,445	13,534	540	50,520	2,298	25,203	23,019	0.08
2007/08	29,355	788	28,568	13,428	2,298	44,294	2,104	27,014	15,176	0.05
2008/09 F/	26,667	494	26,173	10,010	2,104	38,287	1,127	22,267	14,893	0.05

F = Forecast. 1/ Season begins July 1 of first year shown.
Source: USDA, Economic Research Service calculations.

The new season's crop is reported to be of very high quality. The share of good nuts is reported at 88.8 percent, the highest in over three decades. The large share of good nuts is a plus factor in prices growers are likely to receive for this season's crop. Although prices this year are likely to be down from last season due to the bigger crop, the high quality of the crop should bring stronger prices than during a more normal quality year with a similar crop size.

Although the new season crop is forecast to be 19 percent higher than last season, ERS forecasts that total supplies will only be about 14 percent higher than in 2008/09 and down 1 percent from 2007/08. Smaller beginning stocks relative to the past two seasons and lower imports due to an expected smaller crop out of Turkey, the No. 1 hazelnut producer in the world, contribute to the forecast. The large number of high quality hazelnuts this year will result in strong demand for U.S. hazelnuts in international markets where the bulk of the crop is sold. Supplies, however, should be sufficient to keep domestic use level with the previous two seasons.

In 2008/09, Americans consumed an average of 0.05 pound of hazelnuts per person, the same as in 2007/08 (table 10). In the United States, hazelnuts are often consumed in confectionaries, baked goods and ice cream. On the other hand,

exports were down in 2008/09 after record high international shipments in 2007/08. Shipments of in-shell hazelnuts fell to all major markets, except Hong Kong, which received 63 percent of all U.S. in-shell hazelnut exports for the season. Hong Kong's demand for U.S. shelled hazelnuts was also very strong last season with 28 percent of total U.S. shelled hazel nut exports going to Hong Kong during the year.

Ample Supplies Boost Exports of U.S. Cherries; Fresh Citrus Exports Down in 2008/09

Despite a slow start to this year's U.S. cherry export season, export volume in 2009 through July were up 39 percent from the same time last year, reflecting strong shipments in June and July (table 11). Normally, the bulk of fresh cherry exports occur from May through July—covering the harvest periods in California and the Pacific Northwest. Reduced production in California limited exportable supplies in May. By June, an over abundance of sweet cherries from the Pacific Northwest led to sharply lower cherry prices, and both worked in favor of achieving strong exports for this season. Quality of this year's crop was also reported as very good, in general, thus also aiding demand. Both volume and value of exports through July rose to a record high for the same period. More than 60 percent of the shipments went to the Canada and Japan where volumes were significantly higher through July than a year ago. Shipments increased more sharply to other markets in Asia, particularly to Taiwan, Hong Kong, South Korea, and China, while exports were also very strong to Australia, Mexico, Russia, and some European Union countries.

Export growth of major U.S. citrus fruit was lackluster in 2008/09, posting volume declines of 41 percent for the season through July for lemons, 19 percent for oranges, and 9 percent for grapefruit. Fresh-market supplies of oranges and grapefruit were limited by the smaller crops last year in California. However, gains in the U.S. dollar and weakened economies around the world also dampened international demand for U.S. citrus fruit, especially for lemons which had higher domestic production last year. Fresh orange and lemon export shipments declined to several markets, including most major markets, except to Hong Kong and China. Grapefruit exports also fell to many markets, more than offsetting a slight gain to its top market, Japan, and very strong exports to Russia, an up-and-coming market for the industry. Initial indications are that this year's California navel crop will be slightly bigger than in 2008/09 suggesting higher prospects of boosting exportable supplies this coming winter and spring, the peak season for the crop.

Orange and Tangerine Imports Up; Lemon Imports Down in 2008/09

With domestic production down last year, U.S. imports of fresh oranges and tangerines (including clementines) rose 16 percent and 39 percent between 2007/08 and 2008/09 (table 12). Much of the growth in orange imports this season through July started around late winter as California navel orange supplies tightened. Except for Italy, import volumes during the U.S. production season were up from Spain and Mexico. Imports were also higher during the off season from Australia and South Africa. Tangerine (including clementines) import volumes registered higher from top suppliers—Spain, Morocco, Chile, and Peru.

Chile regained its rank as the No. 1 supplier of imported lemons to the United States in 2008/09, after it was surpassed by Mexico in 2007/08. Imports from Mexico declined 68 percent during the 2008/09 season, offsetting the larger shipments received from Chile (up 17 percent). Increased availability of lemons in the domestic market resulting from the bigger California lemon crop last year

diminished demand for imported lemons. Mexican lemons were mostly affected by the lack of demand in the United States because Mexico's lemon shipping season coincides with the peak season for domestic lemons.

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

Commodity	Marketing season	Season-to-date (through July) 2008	2009
		---------- *1,000 pounds* ----------	
Fresh-market:			
Oranges	November-October	1,291,047	1,044,453
Grapefruit	September-August	591,180	539,573
Lemons	August-July	338,491	199,878
Apples	August-July	1,484,098	1,765,790
Grapes	May-April	64,758	64,807
Pears	July-June	14,556	12,288
Peaches (including nectarines)	January-December	134,459	107,292
Straw berries	January-December	180,852	184,166
Cherries	January-December	91,888	128,460
		------ *1,000 sse gallons 1/* -------	
Processed:			
Orange juice, frozen concentrate	October-September	31,913	49,895
Orange juice, not-from-concentrate	October-September	72,253	54,238
Grapefruit juice	October-September	12,295	13,633
Apple juice and cider	August-July	9,007	8,040
Wine	January-December	70,657	57,081
		---------- *1,000 pounds* ----------	
Raisins	August-July	335,948	318,132
Canned pears	June-May	2,707	2,009
Canned peaches	June-May	9,260	5,428
Frozen straw berries	January-December	19,964	17,864
		---------- *1,000 pounds* ----------	
Tree nuts:			
Almonds (shelled basis)	August-July	975,242	1,093,334
Walnuts (shelled basis)	September-August	167,895	207,459
Pecans (shelled basis)	October-September	56,148	42,626
Pistachios (shelled basis)	September-August	94,446	106,573

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

Table 12--U.S. imports of selected fruit and tree nut products

Commodity	Marketing season	Season-to-date (through July) 2008	2009	Year-to-date change
		---------- *1,000 pounds* ----------		*Percent*
Fresh-market:				
Oranges	November-October	65,878	76,443	16.0
Tangerines (including clementines)	October-September	178,144	246,799	38.5
Lemons	August-July	146,395	91,914	-37.2
Limes	January-December	460,551	458,698	-0.4
Apples	August-July	381,151	363,438	-4.6
Grapes	May-April	308,561	255,372	-17.2
Pears	July-June	6,911	2,464	-64.4
Peaches (including nectarines)	January-December	126,922	100,478	-20.8
Bananas	January-December	5,216,075	4,856,417	-6.9
Mangoes	January-December	478,691	467,508	-2.3
		------ *1,000 sse gallons 1/* -------		
Processed:				
Orange juice, frozen concentrate	October-September	316,011	202,381	-36.0
Apple juice and cider	August-July	590,623	534,872	-9.4
Wine	January-December	119,019	139,489	17.2
		---------- *1,000 pounds* ----------		
Canned pears	June-May	9,607	9,460	-1.5
Canned peaches (including nectarines)	June-May	19,655	19,982	1.7
Canned pineapple	January-December	459,338	432,078	-5.9
Frozen straw berries	January-December	140,452	143,846	2.4
		---------- *1,000 pounds* ----------		
Tree nuts:				
Brazil nuts (shelled basis)	January-December	12,499	13,727	9.8
Cashew s (shelled basis)	January-December	154,768	152,351	-1.6
Pine nuts (shelled basis)	January-December	6,983	5,020	-28.1
Pecans (shelled basis)	October-September	93,490	66,650	-28.7

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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