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Fruit and Tree Nuts Outlook

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Lower Pear and Most Citrus Fruit Grower Prices Weaken Overall Fruit Prices

Contents

[Price Outlook](#)
[Fruit and Tree Nuts Outlook](#)
[Fruit and Tree Nuts Trade Outlook](#)
[Commodity Highlight:](#)
[Fresh-Market Pears](#)
[Contacts and Links](#)

Tables

[Grower prices](#)
[Retail prices](#)
[Avocado production](#)
[Fruit exports](#)
[Fruit imports](#)
[Fresh pears: Supply and Utilization](#)

Briefing Rooms

[Fruit & Tree Nuts](#)

The next release is
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The December 2003 index of prices received by fruit and tree nut growers declined 4 percent from the previous year. The decline in the index reflects the lower prices that growers received for pears, lemons, tangerines, fresh grapefruit, and processing oranges. These lower prices more than offset the higher prices received for apples, grapes, and fresh oranges. Meanwhile, the Consumer Price Index (CPI) for fresh fruit continued strong in December 2003. Higher apple and grapefruit prices at the retail level pushed the CPI up 1 percent from the December 2002 CPI.

The 2003/04 California avocado crop will likely be larger than the previous season despite crop damage associated with the late October wildfires that engulfed areas in the southern portion of the State. With the anticipated larger crop, grower prices in California will likely average lower than in 2002/03.

Weather was generally favorable early into this winter's Florida strawberry crop. Despite some very cold weather around Christmas and around the second week in January, overall supplies are expected to be plentiful, and quality of the fruit has been good thus far. Early shipments started off slow and current prices remain above a year ago. Barring any major weather problems, expectations are for shipment volumes to continue to rise steadily through March and prices to decline seasonally.

The overall citrus forecast for 2003/04 declined 1 percent from the first forecast in October to 17.2 million tons. The estimate dropped for the orange and grapefruit crops, but climbed for tangerines and lemons.

The 2003/04 U.S. pecan crop is estimated to be 52 percent larger than the previous season but smaller than earlier expected due to adverse weather conditions in Georgia and Oklahoma. A combination of weather factors in California also resulted in a smaller-than-anticipated pistachio crop for 2003/04.

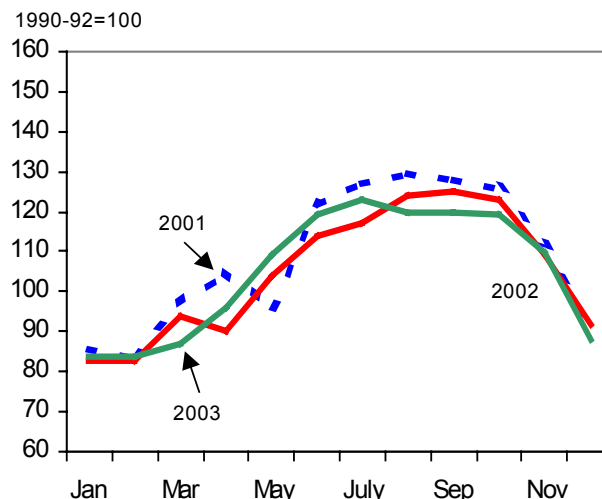
Price Outlook

December Grower Fruit Prices Lower Than A Year Ago

The index of prices received by fruit and tree nut growers declined 4 percent from the previous year in December 2003 (fig. 1). The decline in the index reflects the lower prices that growers received for pears, lemons, tangerines, fresh grapefruit, and processing oranges (table 1). These lower prices more than offset the higher prices received for apples, grapes, and fresh oranges. Strawberry prices averaged much higher than any December price since 1998 (with the exception of last year when there was no reported average price).

Increased supplies from a 7-percent larger pear crop have kept pear prices lower than a year ago since August. As of December 1, 2003, pear inventories in cold storage were 11 percent larger than the same period the previous year. In comparison, inventories in December 2002 were down 7 percent when the U.S. pear crop was much smaller, aiding in sharply higher prices at that time. Below-normal temperatures in early January in the Pacific Northwest, the major production center for pears, have slowed shipments around that time, likely boosting prices. Barring any weather problems, continued heavy shipments

Figure 1
Index of prices received by growers for fruit and nuts



Source: National Agricultural Statistics Service, USDA.

through this winter should keep pear prices below a year ago. Grapefruit prices have dropped likely as a result of the smaller-than-expected fruit size being harvested. Strong competition brought by a larger domestic crop pushed tangerine prices lower. Lemon prices have been averaging lower for the 2003/04 season, despite reduced production.

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

Commodity	2002			2003			2002-03 Change		
	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.
---- Dollars per box ----									
Citrus fruit: 1/									
Grapefruit, all	5.17	3.31	2.29	6.30	3.71	2.89	21.9	12.1	26.2
Grapefruit, fresh	7.38	5.71	5.02	8.58	6.27	4.70	16.3	9.8	-6.4
Lemons, all	15.19	9.43	6.02	5.76	6.23	3.80	-62.1	-33.9	-36.9
Lemons, fresh	22.21	17.78	12.74	11.02	10.76	9.16	-50.4	-39.5	-28.1
Oranges, all	5.18	3.11	3.23	3.28	2.23	2.44	-36.7	-28.3	-24.5
Oranges, fresh	7.36	8.57	7.33	6.16	8.96	8.02	-16.3	4.6	9.4
---- Dollars per pound ----									
Noncitrus fruit:									
Apples, fresh 2/	0.301	0.268	0.263	0.273	0.274	0.285	-9.3	2.2	8.4
Grapes, fresh 2/	0.295	0.305	0.360	0.335	0.355	0.370	13.6	16.4	2.8
Peaches, fresh 2/	--	--	--	--	--	--	--	--	--
Pears, fresh 2/	0.229	0.221	0.219	0.209	0.187	0.196	-8.7	-15.4	-10.5
Strawberries, fresh	0.684	1.080	--	1.000	1.940	1.770	46.2	79.6	--

1/ Equivalent on-tree price.

2/ Equivalent packinghouse-door returns for CA, NY (apples only), OR (pears only), and

WA (apples, peaches, and pears). Prices as sold for other States.

Source: National Agricultural Statistics Service, USDA.

Smaller crops of apples and California oranges will likely continue to hold apple and fresh-market orange prices strong in January and through this winter, especially as supplies grow seasonally tighter. Fresh-market apples in cold storage (both regular and controlled atmosphere facilities) as of January 1, 2004, trail the same period a year ago by 8 percent, based on data from the U.S. Apple Association.

Retail Fresh Fruit Prices Remain Strong for Most Fresh Fruit

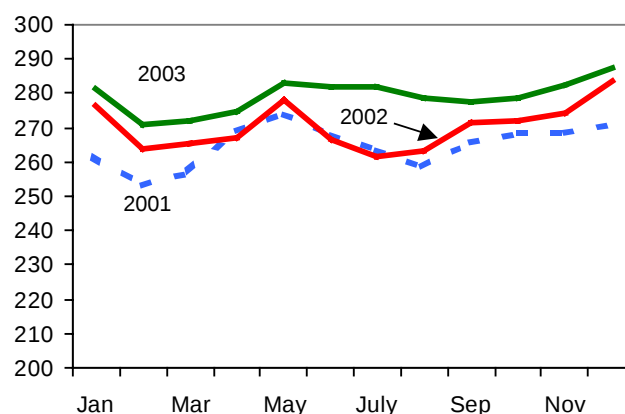
The Consumer Price Index (CPI) for fresh fruit has been consistently higher than the previous year throughout 2003. In November, the CPI reached 282.4 (1982-84=100), up 3 percent from November 2002 (fig. 2). Consumers paid higher prices at the retail level than a year ago for grapefruit, strawberries, and Thompson seedless grapes. They paid less for Navel oranges, lemons, Red Delicious apples, and bananas (table 2). Although the Red Delicious apples were less expensive to consumers this past November, overall apple (including other varieties) prices at retail averaged higher. This was indicated by a higher CPI for apples this past November, at 236.7 (1982-84=100), compared with 230.1 in November 2002.

In December 2003, the CPI for fresh fruit remained strong, increasing 1 percent from the December 2002 CPI, to 287.3 (1982-84=100). Retail prices for apples in general (indicated by another strong CPI for apples

Figure 2

Consumer Price Index for fresh fruit

1982-84=100



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

in December), and grapefruit continued higher than a year ago while prices for Navel oranges and lemons still averaged lower. Banana retail prices averaged unchanged, an improvement after remaining below the previous year since July. Short-term supply gaps brought by heavy rains in Costa Rica and unusually cold weather in Guatemala in December may have limited imports into the U.S. market and aided banana prices. This could not be confirmed using December trade data from the Bureau of the Census because it is not yet released. However, weekly shipments from the U.S. Department of Agriculture's Agricultural Marketing Service report banana imports in December down 37 percent.

Table 2--U.S. monthly retail prices, selected fruit, 2002-2003

Table 2--U.S. monthly retail prices, selected fruit, 2002-2003										
Commodity	Unit	2002			2003			2002-03 Change		
		Oct.	Nov.	Dec.	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.
		--- Dollars ---			--- Dollars ---			--- Percent ---		
Fresh:										
Valencia oranges	Lb	0.608	--	--	0.598	--	--	-1.6	--	--
Navel oranges	Lb	1.163	0.998	0.742	1.141	0.971	0.862	--	-2.7	16.2
Grapefruit	Lb	0.729	0.626	0.621	0.824	0.718	0.676	13.0	14.7	8.9
Lemons	Lb	1.586	1.522	1.441	1.393	1.308	1.264	-12.2	-14.1	-12.3
Red Delicious apples	Lb	1.001	0.980	0.985	0.936	0.970	0.957	-6.5	-1.0	-2.8
Bananas	Lb	0.504	0.505	0.504	0.490	0.498	0.504	-2.8	-1.4	0.0
Peaches	Lb	--	--	--	--	--	--	--	--	--
Anjou pears	Lb	--	--	--	--	--	--	--	--	--
Strawberries 1/	12-oz pint	1.884	2.224	--	2.246	2.410	--	19.2	8.4	--
Thompson seedless grapes	Lb	1.809	1.984	2.269	1.877	2.248	--	3.8	13.3	--
Processed:										
Orange juice, concentrate 2/	16-fl. oz	1.795	1.776	1.806	1.975	1.905	1.834	10.0	7.3	1.6
Wine	liter	6.000	6.512	6.166	6.179	6.574	6.393	3.0	1.0	3.7

-- Insufficient marketing to establish price.

1/ Dry pint.

2/ Data converted from 12 fluid ounce containers.

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

Fruit and Tree Nuts Outlook

Larger California Avocado Crop Likely in 2003/04

The 2003/04 avocado crop in the Nation's major production center, California, will likely be larger than a year ago despite crop damage associated with the late October wildfires that engulfed areas in the southern portion of the State. According to the California Avocado Commission (CAC), while some individual avocado growers suffered severe losses, the overall impact of the wildfires to the State's avocado crop was minimal, affecting only about 1 percent of total acreage, and production is still projected to increase by about 15 percent from a year ago during 2003/04. If realized, the California avocado crop will be approximately 198,000 short tons, based on annual production reported by the National Agricultural Statistics Service (NASS). The expected crop size is also larger than the average crops harvested over the previous nine seasons, except during 2000/01 and 2001/02 (table 3).

California's marketing season commences in early November and extends through the next 11 months, providing consumers a year-round supply. Avocado

grower price movements at the national level more closely reflect trends in California prices because the State produces over 85 percent of the U.S. annual avocado crop. With the anticipated larger crop this season, grower prices in California will likely average lower than in 2002/03 when they received an average of \$2,170 per ton. While a good range of fruit sizing expected should help offset some of the downward pressure on prices, plentiful supplies expected from Chile and Mexico, the United States' major international suppliers of avocados, will be another factor that will help drive prices lower during 2003/04. South District California f.o.b. shipping-point prices for Hass avocados, the most predominant variety produced in the State, were reported stronger than a year ago in early January. By mid-January, these f.o.b. prices have weakened and ranged from \$31.25 to \$33.25 per two-layer carton of sizes 36 and 40, compared with \$34.25 to \$36.75 the same time last year.

Since May 2003, the Florida Agricultural Statistics Service stopped reporting their forecast of Florida avocados for certified shipments. Production in Florida averaged 12 percent of total U.S. avocados

Table 3--Avocados: Production, season-average grower price, and value, by State, 1980/81 to date

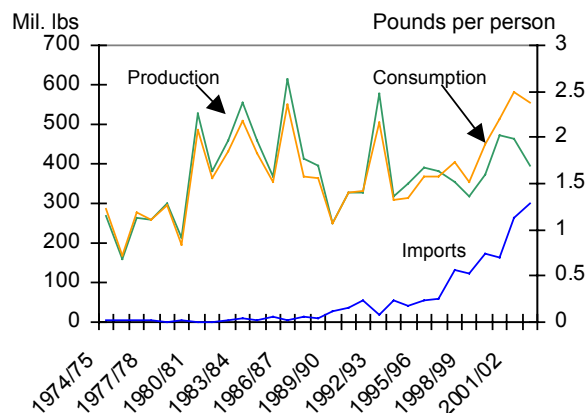
Season	California			Florida			United States 2/		
1/	Production	Price	Value	Production	Price	Value	Production	Price	Value
	Short tons	\$/short ton	\$ 1,000	Short tons	\$/short ton	\$ 1,000	Short tons	\$/short ton	\$ 1,000
1980/81	238,000	357	84,966	30,800	529	16,293	268,800	377	101,259
1981/82	157,000	689	108,173	25,800	501	12,926	182,800	662	121,099
1982/83	202,000	460	92,920	34,700	480	16,658	236,700	463	109,578
1983/84	247,000	370	91,390	27,000	460	12,409	274,000	379	103,799
1984/85	200,000	582	116,400	29,500	390	11,496	229,500	557	127,896
1985/86	160,000	1,020	163,200	28,500	576	16,415	188,500	953	179,615
1986/87	278,000	338	93,964	24,700	412	10,176	302,700	344	104,140
1987/88	180,000	1,140	205,200	29,000	312	9,048	209,000	1,030	214,248
1988/89	165,000	1,260	207,900	27,000	436	11,772	192,600	1,140	220,110
1989/90	105,000	2,280	239,400	33,500	332	11,122	139,050	1,800	250,940
1990/91	136,000	1,410	191,760	19,600	684	13,406	156,050	1,320	205,571
1991/92	156,000	1,170	182,520	28,300	476	13,471	184,720	1,060	196,386
1992/93	284,000	400	113,600	7,200	583	4,198	291,550	405	118,120
1993/94	139,000	1,810	251,590	4,400	820	3,608	143,650	1,780	255,418
1994/95	155,000	1,480	229,894	20,000	616	12,320	175,250	1,380	242,464
1995/96	171,000	1,370	234,831	19,000	596	11,324	190,250	1,300	246,428
1996/97	167,000	1,560	260,162	23,500	528	12,408	190,700	1,430	272,784
1997/98	154,000	1,710	263,473	24,000	584	14,016	178,250	1,560	277,754
1998/99	136,000	2,400	327,002	23,000	716	16,468	159,250	2,160	343,730
1999/00	161,000	2,110	339,594	22,000	748	16,456	183,300	1,940	656,410
2000/01	213,000	1,480	315,842	26,000	584	15,184	239,320	1,380	331,397
2001/02	200,000	1,790	358,000	23,000	676	15,548	223,300	1,670	373,890
2002/03	172,000	2,170	373,240	31,000	556	17,236	203,350	1,920	390,868

1/ Season beginning November 1 to November 30 (following year) for California and June 20 to February 28 for Florida.

2/ Includes Hawaii beginning 1988/89.

Source: National Agricultural Statistics Service, USDA.

Figure 3

Domestic fresh avocado supply and consumption

Source: Bureau of the Census, U.S. Department of Commerce; National Agricultural Statistics Service and Economic Research Service, U.S. Department of Agriculture.

over the previous three seasons. Based on weekly shipments reported by the Market News Branch of USDA's Agricultural Marketing Service, shipment volume out of Florida for the 2003/04 season thus far (April to mid-January) is less than half of what it was for the same period in 2002/03.

Increased domestic supplies and likely lower prices will help boost domestic consumption during 2003/04. U.S. consumption of fresh avocados during 2002/03 was estimated at 2.4 pounds per person, down slightly from 2.5 pounds during the previous season due to reduced domestic production. Despite year-to-year fluctuations in consumption, demand for avocados in the United States has generally been on an upward trend, stimulated primarily by the growing Hispanic population in the country and by good publicity on the health benefits derived from avocado consumption. U.S. avocado consumption has risen from slightly over 1.0 pound per person annually during the mid-1970s to over 2.0 pounds per person during the most recent 3 years (fig. 3).

The import sector is a growing component of the U.S. avocado market. Imports now make up more than one-third of domestic avocado consumption, up sharply from a 17-percent average share during the early 1990s and up from a mere 2-percent average share during the 1980s. Since 1993/94, the United States has consistently remained a net importer of avocados, with volumes in recent years increasing more than five-fold from the early 1990s.

Serving its largest export market, Chile supplies over 65 percent of U.S. avocado imports. USDA's Foreign Agricultural Service forecasts Chile's avocado exports during the marketing year 2003 (January-December 2004) to be up 21 percent from the previous season as another year of expanded production is expected given the additional planted area that is coming into production. Moreover, weather was generally favorable during the flowering stage in most producing areas. Over 95 percent of Chilean avocado exports are marketed in the U.S. market. Most of the new acreage planted in the last few years consisted of the Hass variety, mainly to target export markets. Production expansion is expected to continue in the years ahead as many new orchards come into production and many existing orchards are still in the growth phase of production.

Export prospects for 2003/04 in Mexico also appear favorable. Production there is expected to be larger due to favorable weather conditions, phytosanitary programs being implemented to successfully control pests, and more trees reaching the productive stage.

2004 Winter Strawberry Supplies Larger

Weather was generally favorable early into this winter's Florida strawberry crop. Despite some very cold weather around Christmas and around the second week in January, overall supplies are expected to be plentiful, and quality of the fruit has been good thus far. Shipments started off slow in the beginning of the season due partly to fewer early varieties being planted. However, cumulative shipments for this winter season through January 9, 2004, have already surpassed the same period last season by about 31 percent, according to the Florida Strawberry Growers Association. Barring any major weather problems, shipment volumes are expected to continue to rise steadily through March, when supplies typically peak for the season. As of the first full week in January, about 15 percent of the strawberry crop had been harvested.

Central Florida f.o.b. prices (shipping-point basis) ranged from \$22.90 to \$24.90 per flat of 12, 1-pint baskets of medium-large berries around December 9, early into the season. Volumes started to gain momentum by around mid-month, dropping prices to a range of \$18.90 to \$20.90 per flat, not much changed from the previous season. The low

temperatures during the week of Christmas affected berry maturity, causing a slowdown in shipments. The high end of the price range rose slightly to \$22.90 per flat with the price range steady through the end of December. Prices ranged from \$17.90 to \$20.90 per flat a year ago. The good quality of the crop and strong market demand has helped boost prices. As of January 9, prices ranged from \$20.90 to \$22.90 per flat, compared with \$14.90-\$16.90 the same time last year. Higher prices continued through the following week, likely due to reduced shipments brought by another cold snap. With more volume anticipated towards the heavy shipping period of February and March, prices are likely to decline seasonally. As of mid-January, prices ranged from \$14.90 to \$18.90 per flat, compared with \$10.90 to \$12.90 per flat the same time last year.

California grows over 80 percent of the U.S. strawberry crop, producing an average of 1.6 billion pounds each year. About three-quarters of the State's production is intended for fresh use. Early indications are that strawberry supplies out of California will be up this year, given a projected 12 percent increase in planted acreage, based on the 2004 acreage survey results from the California Strawberry Commission. Acreage will increase in the five growing districts--Orange County/San Diego, Oxnard, Santa Maria, Watsonville/Salinas, and San Joaquin.

The Watsonville/Salinas growing district continues to account for the largest acreage (39 percent of the total), including an additional 514 acres for this year. The largest increases in acreage planted, however, will be in the Oxnard and Santa Maria growing districts, with new acreage reported at 1,555 acres and 1,209 acres, respectively. In the southern district, acreage increases in the Coachella Valley and San Diego County growing areas will more than offset the fewer acres planted in Orange County. The San Joaquin Valley, the smallest growing district, reports 115 additional acres for this year.

Developed by the University of California and introduced in 1993, the Camarosa variety will continue to be the most abundant of all commercially grown varieties, accounting for 31 percent of California's strawberry acreage. Plantings of this variety is expected to total 9,832 acres in 2004, up 2 percent from a year ago. Specific characteristics such as early production, high yields of large attractive and

flavorful fruit with good firmness, and excellent shipping and postharvest qualities boosted the popularity of this variety among many growers and shippers. Other popular UC-patented varieties are the Diamante, Aroma, Ventana, Chandler, and Selva. Plantings of these varieties, with the exception of the Selva variety, are also projected to increase in 2004. The largest increase in planted acreage will be with the Ventana variety, up 172 percent. Plantings of proprietary varieties, accounting for about the same share as the Camarosa variety in total acreage, is expected up 16 percent.

Citrus Forecast Drops Slightly in January

The overall citrus forecast for 2003/04 declined 1 percent from the first forecast in October, to 17.2 million tons. The estimate dropped for the orange and grapefruit crops, but climbed for tangerines and lemons.

As of the January forecast, western orange production is expected to total 2.3 million tons, down slightly from October. These oranges, which make up the majority of the fresh-market orange supply, were reported to continue to be of high quality, with cool temperatures helping to improve external color. Fruit size was also reported to have increased from the October forecast as a result of December rains. The good appearance and larger-sized fruit are both positive attributes to increasing grower returns. Fresh orange exports decreased 7 percent in November 2003 over the previous November. With the delay in the coloring of the fruit, there were not as many exportable oranges available in November 2003 compared with a year ago.

Grower prices for California fresh oranges have been strong this November and December, the first 2 months of the 2003/04 season. Averaging \$10.72 per 75-lb box, this season's prices are running about 11 percent above a season ago for the same time. Prices this season so far are the second highest in 5 years. The good quality and sizing of this season's crop should help keep grower prices up throughout the remainder of the season.

Florida Orange Juice Production Estimate Declines in January

Due to the forecast 1-percent decline in Florida orange production coupled with a lowered estimate

for juice yields to 1.53 gallons per box, orange juice production in 2003/04 is forecast to total 1.5 billion gallons, 2 percent lower than estimated in October. If realized, juice production would still be the second highest on record (after the 1997/98 season).

Through the middle of December, the industry reported stronger movement of frozen concentrated (FCOJ) and not-from-concentrate (NFC) orange juice than during the same time last season. Increased NFC exports over last season boosted movement while domestic shipments fell. The poor domestic movement of NFC so far this season drives down total orange juice consumption thus far to only fractionally above last season. With growing juice stocks and the large crop this season, it would not be surprising to see strong orange juice promotions this season, especially in branded juice sales. Such promotions would likely help boost movement and overall NFC consumption. As a result, per capita consumption of orange juice is projected to be 6 percent higher than a season ago, at 5.12 gallons.

Grower prices in Florida for processing oranges have averaged lower than any time during at least the previous decade. The early estimates for a record crop, along with very big beginning juice stocks and expected high juice production out of Brazil all factored into lower prices. Prices have been improving monthly, averaging \$1.55 per 90-lb box in December, but this price is still considerably lower than any December price in more than a decade. With the reduction in the crop estimate and juice yields per box, prices are likely to improve over the next few months. However, unless movement picks up as the season progresses, processors are likely to still be facing record stocks and may be unwilling to increase prices they offer growers for their fruit.

Smaller-Than-Expected Fruit Size Lowers Grapefruit Crop Forecast

The January forecast for grapefruit fell 4 percent from the initial October estimate to 2.1 million tons because the fruit did not size up as initially expected. Earlier in the season, white grapefruit were growing at an above-average rate. The rate of growth, however, has since slowed down and as of December was below normal. As of the January forecast, it will take 91 grapefruit to fill an 85-lb box, compared with 81 grapefruit in October.

The production estimate for the colored grapefruit (pink and red) also fell 4 percent from the October forecast. This season's colored grapefruit are averaging among the smallest in the past 10 years. As of January, it will take an average of 100 pieces of fruit to fill an 85-lb box, compared with an estimate of 91 pieces in October.

Domestic grapefruit shipments have been lower than last season, but higher than two seasons ago as of mid-January. According to the Citrus Administrative Committee data, as of January 11, about a quarter of the grapefruit crop had been utilized compared with a third utilized at the same time last season.

Grower prices for Florida fresh grapefruit have been averaging \$6.16 per 85-lb box so far this season through December. They averaged above last season for October and November, but fell below last December. The smaller size of the fruit may be having an adverse affect on prices.

Through mid-January, about 41 percent of Florida's utilized grapefruit had been shipped to processors. Grower prices for processing grapefruit averaged -\$1.34 per box, an improvement over last season, but still below the cost of production. The share of grapefruit going to the higher-priced fresh market has been bigger this season compared with the previous two seasons, helping to bring the overall average grower price for grapefruit up 18 percent from a season ago through December. Grapefruit processing does not get into full swing until about March, and the quantity of fruit going to processing will have a strong affect on overall prices.

Exports so far this season have been running 4 percent ahead of the same time last season between September and November. Shipments have increased to Japan, Canada, and the Netherlands.

Pecan Crop Bigger Than Last Year

As of January, the 2003/04 U.S. pecan crop is estimated to total 262 million pounds (in-shell), a smaller crop than earlier expected. Since the 2003/04 crop is an "on-cycle" crop, which produces a bigger crop, it is estimated to be 52 percent above the previous season. This year's crop, however, is down 22 percent from the last "on-cycle" in 2001/02 and is

the smallest crop during an on-year since 1988/89 (fig. 4).

The decline in the estimate from October, when the first official estimate for the 2003 crop was reported, resulted from adverse weather conditions in Georgia and Oklahoma. In Georgia, frequent rains throughout the summer caused extensive disease and insect problems. The spread of disease, especially scab, reduced nut quality. In Oklahoma, dry weather throughout the summer and wildlife damage reduced the amount of nuts.

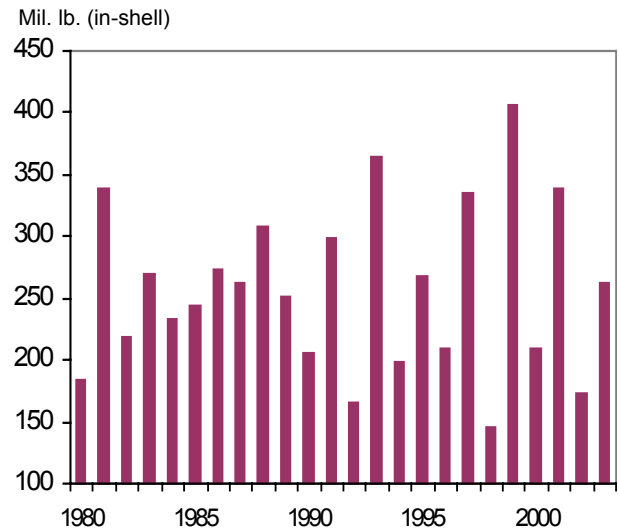
Harvesting began winding down in Texas by mid-December, but was still active in Georgia, New Mexico, and Arizona. Harvesting in these States began finishing up by mid-January.

Pecan stocks in cold storage are lower this year, as of November 30, than a year ago. As of this date, 35.3 million pounds of in-shell pecans and 15.3 million pounds of shelled pecans were reported to be in cold storage, 56 and 17 percent lower than last November.

Adverse Weather Conditions Affected 2003 Pistachio Crop

A combination of weather factors in California resulted in a smaller-than-anticipated pistachio crop for 2003/04. Insufficient number of chill hours last winter decreased yields. Moreover, cold temperatures during the daytime this past spring reduced bee activity and further reduced the quantity of blooms that were pollinated. As a result, there was an increase in the number of blank nuts (nuts without meat in them) which have no marketable value. During mid-summer, there was a period of very high

Figure 4
Trends in U.S. pecan production



Source: National Agricultural Statistics Service, USDA.

temperatures, which put trees under stress and reduced yields. As a result, the 2003 California pistachio crop is estimated to yield 116 million pounds, 64 million pounds less than USDA's first official estimates for the industry in the beginning of the season.

The harvest finished by mid-October, and most of the crop was sold by November. Despite a large inventory going into the 2003/04 marketing season, the industry does not have enough supply to meet domestic and international demand. Unfortunately, growers did not get to benefit from the supply/demand imbalance because most of the crop is sold under contract, and growers contracted at prices based on the initial crop size.

Fruit and Tree Nut Trade Outlook

Smaller Crops Limiting Exports of Two Key Fruit Commodities in 2003/04

With the 2003/04 season currently underway, strong exports are reported thus far for most fresh fruit except for two key commodities—fresh oranges and grapes (table 4). U.S. exports of fresh oranges in November 2003, the start of the orange marketing season, are down 7 percent from November 2002. In addition to the anticipated smaller California orange crop this season, strong domestic demand and the slow start to the State's early-season navel crop (as rains early in the month slowed picking and growers waited for fruit color to improve) limited the quantity available for exports.

The volume of fresh grape exports during May through November was also down 7 percent from the previous year, more than offsetting the higher prices exporters were getting for their shipments. Hence, the

value of grape exports during the same period dropped 3 percent, to \$319.7 million. Exports to the leading markets such as Canada, Hong Kong, Mexico, Taiwan, and the Philippines were all down more than 10 percent. Exports, however, were particularly strong to several other markets, such as New Zealand, Thailand, Japan, Australia, India, as well as to El Salvador, Guatemala, Honduras, and Nicaragua, the four Central American countries that have concluded negotiations this past December to participate in a U.S.-Central American Free Trade Agreement (CAFTA). On January 25 of this year, the United States and Costa Rica concluded negotiations to finalize Costa Rica's participation in CAFTA. If the U.S. Congress passes CAFTA this year, U.S. grape exporters, along with apple, cherry, and pear exporters, will face increased marketing opportunities in the CAFTA countries as tariffs ranging from 10 percent to 25 percent on several U.S. fruit are to be eliminated.

Table 4--U.S. exports of selected fruit and tree nut products

Commodity	Marketing season	Season-to-date (through November)		Year-to-date change
		2002	2003	
		--- 1,000 pounds ---		Percent
Fresh-market:				
Oranges	November-October	48,516	44,956	-7.3
Grapefruit	September-August	173,470	179,754	3.6
Lemons	August-July	42,955	61,548	43.3
Apples	August-July	350,209	360,938	3.1
Grapes	May-April	570,186	530,041	-7.0
Pears	July-June	172,589	184,967	7.2
Peaches (including nectarines)	January-December	271,016	269,957	-0.4
Strawberries	January-December	153,569	189,803	23.6
Sweet cherries	January-December	72,332	96,851	33.9
		--- 1,000 gallons ---		
Processed:				
Orange juice, frozen concentrate	October-September	4,214	12,824	204.3
Orange juice, not from concentrate	October-September	8,964	9,736	8.6
Grapefruit juice	October-September	4,556	7,988	75.3
Apple juice and cider	August-July	1,715	1,751	2.1
Wine	January-December	64,688	82,338	27.3
		--- 1,000 pounds ---		
Raisins	August-July	98,933	96,267	-2.7
Canned pears	August-July	4,380	2,284	-47.9
Canned peaches	July-June	19,769	56,923	187.9
Frozen strawberries	January-December	41,548	21,078	-49.3
		--- 1,000 pounds ---		
Tree nuts:				
Almonds (shelled basis)	August-July	320,568	326,797	1.9
Walnuts (shelled basis)	August-July	64,931	65,985	1.6
Pecans (shelled basis)	September-August	8,830	5,676	-35.7
Pistachios (shelled basis)	September-August	9,887	6,396	-35.3

-- = No data.

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

U.S. fresh lemon exports have experienced the largest export growth thus far this season, despite reduced production. The low prices for the season so far and good quality of the fruit in general are aiding in boosting demand in the international markets. Season-to-date exports were up sharply to the top five markets—Japan, Canada, South Korea, Hong Kong, and Australia. In light of the smaller Washington apple crop for this season, the industry has increased its allocation to export markets at the expense of the domestic market, keeping fresh apple exports strong thus far. Of the 10 leading markets, exports more than doubled to Mexico and the United Arab Emirates, and rose to Indonesia, Malaysia, United Kingdom, Thailand, and Saudi Arabia. Exports trailed last year to Canada, Taiwan, and Hong Kong.

Tree nut exports are already ahead of last season due to increased exports of almonds and walnuts. Almond exports make up more than half of U.S. tree nut exports. After a slow start this season, the total quantity of almond exports (shelled basis) through November 2003 have picked up marginally, but has

generated \$100.0 million in additional sales compared with export sales during the same period the previous season. Although shelled almonds constituted most of the shipments, the export growth was in in-shell almonds, where shipments to foreign markets rose 30 percent. Meanwhile, shipments of shelled almonds still lagged last season by 6 percent. Exports increased to Spain and Japan, but declined to India, Germany, and the Netherlands.

Fresh Fruit Imports Higher for Major Noncitrus Crops in 2003/04

U.S. imports of fresh apples, grapes, and pears for the 2003/04 season are running ahead of a season ago thus far (table 5). Imports of fresh peaches and mangoes during 2003 were also higher while banana imports, accounting for the largest volume of all fresh fruit imports, was fractionally lower. More imports of apples from August through November 2003 were marketed domestically, likely due to this season's smaller Washington apple crop (which supplies about 70 percent of the Nation's apples for fresh use) and

Table 5--U.S. imports of selected fruit and tree nut products

Commodity	Marketing season	Season-to-date (through November)		Year-to-date change
		2002	2003	
		--- 1,000 pounds ---		Percent
Fresh-market:				
Oranges	November-October	1,059	206	-80.5
Tangerines (including clementines)	October-September	42,671	62,392	46.2
Lemons	August-July	34,502	28,235	-18.2
Limes	September-August	138,511	130,193	-6.0
Apples	August-July	59,741	62,047	3.9
Grapes	May-April	249,600	320,409	28.4
Pears	July-June	9,945	12,533	26.0
Peaches (including nectarines)	January-December	103,344	124,179	20.2
Bananas	January-December	7,916,194	7,884,290	-0.4
Mangoes	January-December	551,738	585,538	6.1
		--- 1,000 gallons ---		
Processed:				
Orange juice, frozen concentrate	October-September	37,647	34,180	-9.2
Apple juice and cider	August-July	113,135	114,937	1.6
Wine	January-December	135,737	150,308	10.7
		--- 1,000 pounds ---		
Canned pears	August-July	7,438	9,946	33.7
Canned peaches	July-June	46,887	31,568	-32.7
Canned pineapple	January-December	624,323	681,338	9.1
Frozen strawberries	January-December	107,922	116,872	8.3
		--- 1,000 pounds ---		
Tree nuts:				
Brazil nuts (shelled basis)	January-December	23,470	22,001	-6.3
Cashews (shelled basis)	January-December	200,750	213,627	6.4
Pine nuts (shelled basis)	January-December	7,031	5,310	-24.5
Pecans (shelled basis)	September-August	27,762	36,427	31.2

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

and the strong sales of U.S. apples thus far in international markets. Shipments were up sharply from New Zealand, Chile, and the Republic of South Africa. Canada accounted for 45 percent of the apple imports but its shipments were down sharply from the previous year.

The smaller crop of U.S. grapes for the 2003/04 season has contributed to increased fresh grape imports thus far. May through November imports were up mainly due to a significant increase in shipments from Mexico, which made up 96 percent of the imports thus far. About three-fourths of U.S. fresh grape imports come from Chile, which ships mainly during the winter months. A cold and wet spring in Chile, including frost problems in some of its production areas in the north that affected the earlier fruit, point to a slight decline in the country's grape

production for the 2004 marketing year, according to USDA's Foreign Agricultural Service. December trade data from the Bureau of the Census are not yet available, but data from USDA's Agricultural Marketing Service report weekly shipments from Chile this past December through the second week of January as down 11 percent. Other production areas in Chile, however, expect relatively normal crops. Hence, shipments may likely pick up as the winter grape season gets fully underway.

Season-to-date pear imports have been strong despite increased domestic production. More than half of the imports thus far was supplied by South Korea whose shipments were down 10 percent from the same period in 2002/03. Imports increased sharply from China, the Republic of South Africa, and Chile.

Commodity Highlight: Fresh-Market Pears

Pears belong to the *Malaceae* family, which also includes the apple and quince. Various species are known to have originated in Europe, Asia, and Northern Africa, but none are native to the Americas. The United States accounts for 5 percent of world pear production, ranking third behind China (52 percent of world output) and Italy (6 percent of world output). U.S. pear production is largely concentrated in the Pacific Northwest, but commercial production can also be found in 45 other States. Washington is the top producer with over 40 percent of U.S. output, followed by California and Oregon.

In 1997, pears were grown on 8,062 U.S. farms covering 77,917 acres (1997 Census of Agriculture). Relative to the 1992 census, these figures declined 18 percent and 6 percent, respectively. Bearing acreage in 2003 was reported at 63,150 acres, according to the National Agricultural Statistics Service. Bearing acreage has declined almost consistently since 1994.

Pears are a versatile fruit—popular around the world as a fresh fruit product but consumed also in processed forms such as canned and juice. The fresh use sector accounts for a major part of world pear use. Over the period 2000-02, the United States produced an average of 1.9 billion pounds of pears for all uses, with about 58 percent sold for fresh use. The average annual farm value of fresh-market pears was \$178.3 million, making up 70 percent of the farm value for the U.S. pear crop. For the current season (2003/04), approximately 61 percent of the estimated 1.8 billion pounds of utilized production will be sold in the fresh market, up 12 percent from a season ago.

Export markets have become increasingly important in many countries that produce pears, especially to major producers experiencing large production growth. In the United States, production continues to expand at a faster rate than the growth in domestic consumption. Hence, U.S. producers continue to explore market opportunities beyond the domestic market. Exports as a share of U.S. pear production are already more than double the share during the 1980s, reaching 35 percent in recent years. The United States ships pears to several countries across the world but neighboring countries, Mexico and Canada, account for close to 80 percent of its exports annually. Although U.S. exports to these two large markets have increased from levels earlier in the decade, average export growth over the past five seasons have been more pronounced in many smaller markets in Central and South America and in the Caribbean.

U.S. fresh pear consumption has been increasing gradually over the last three decades, but declining production in more recent years has slowed the trend. Americans now consume an average of 3.1 pounds of fresh pears per person yearly, holding fairly steady from the 1990s but up from 2.4 pounds in the 1970s.

Imports have helped maintain a fairly steady supply of fresh-market pears in the United States in the last several years. With volumes up substantially from the 1970s, imports' role in domestic consumption have more than quadrupled to an average of 15 percent during 2000-02. About half of the imports come from Argentina and more than one-fourth are from Chile. Rounding the top five international suppliers of fresh pears to the U.S. market are South Korea, China, and New Zealand.

Table 6--Fresh pears: Supply and utilization

Period	Supply			Utilization		
	Production 2/	Imports 3/	Total	Exports 3/	Domestic	Per capita use
			-- Million pounds --			Pounds
Decade average:						
1970s	579.6	19.6	599.2	73.3	525.9	2.4
1980s	770.6	51.0	821.6	116.1	705.4	3.0
1990s	1,010.9	146.1	1,157.0	286.1	870.9	3.3
Recent seasons: 1/						
1998/99	1,027.6	190.5	1,218.1	305.2	912.9	3.3
1999/2000	1,072.4	199.0	1,271.3	336.8	934.5	3.3
2000/01	1,094.3	187.6	1,281.9	370.2	911.7	3.2
2001/02	1,086.3	175.8	1,262.1	380.3	881.8	3.1
2002/03 4/	1,005.7	190.3	1,196.1	352.6	843.5	2.9

1/ Season beginning July. 2/ Source: National Agricultural Statistics Service, USDA. 3/ Source: U.S. Bureau of the Census, U.S. Department of Commerce. 4/ Preliminary.
Source: Economic Research Service, USDA.

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