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Fruit and Tree Nuts Outlook

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California Avocado Crop Likely Smaller in 2004/05, Florida Winter Strawberry Supplies Abundant

Contents

[Price Outlook](#)
[Fruit Outlook](#)
[Fruit and Tree
Nuts Trade
Outlook](#)
[Commodity
Highlight](#)
[Contacts and
Links](#)

Tables

[Grower prices](#)
[Retail prices](#)
[Avocado
production](#)
[Fruit exports](#)
[Fruit imports](#)
[Fresh grapefruit
marketing spread](#)

Briefing Rooms

[Fruit & Tree Nuts](#)

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Based on indications from the California Avocado Commission, the Economic Research Service projects the 2004/05 California avocado crop to be about 191,000 short tons, 12 percent smaller than last season. While California supplies are expected to fall behind last year, avocado growers are not likely to receive strong prices in 2004/05 as increased supplies from key foreign suppliers--Chile and Mexico—are expected this season. Aside from an expected larger crop, expanded export opportunities await Mexico as the U.S. Department of Agriculture recently granted approval for Mexican Hass avocados grown in the Mexican State of Michoacan to be shipped into 47 States year-round, effective January 31.

Ideal growing weather this fall has promoted growth of Florida's 2005 winter strawberry crop, yielding large supplies of excellent quality berries. Cumulative shipments for this winter season through mid-January have already surpassed the same time last season. While increasing supplies from Florida have already weakened strawberry prices from earlier in the season, fairly good market demand and diminished supplies from Southern California, mostly due to recent heavy rains, have pushed prices slightly higher than a year ago.

The 2004 December index of prices received by fruit and tree nut growers held strong compared with the December 2003 index. At 102 (1990-92=100), the index was the highest for any December since 1996, reflecting higher grower prices for pears, strawberries, grapes, and major fresh-market citrus fruit, including oranges, grapefruit, lemons, and tangerines. Meanwhile, higher retail prices for fresh oranges and grapefruit boosted the 2004 December Consumer Price Index for fresh fruit.

Price Outlook

December Grower Fruit Prices Remain Higher Than a Year Ago

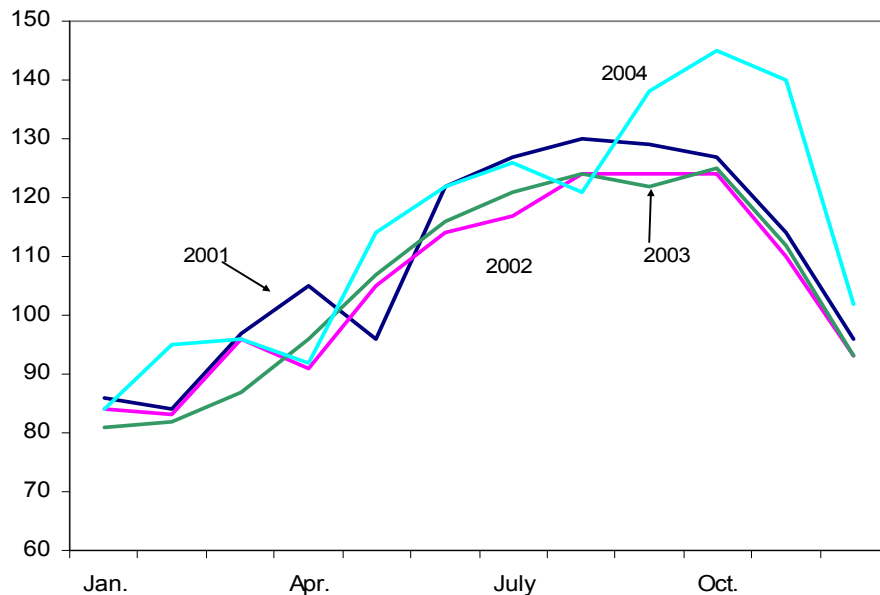
Although falling seasonally as in past years, the 2004 December index of prices received by fruit and tree nut growers held strong compared with the December 2003 index (fig. 1). The December index of 102 (1990-92=100) is the highest index for any December since 1996. The strength in this index reflects the higher prices that growers received for pears, strawberries, grapes, and major fresh-market citrus fruit, including oranges, grapefruit, lemons, and tangerines (table 1). These higher prices more than offset the lower prices reported for apples and fresh tangelos. The December index, however, has weakened significantly from the previous 2 months as seasonal increases in supplies of fresh-market apples, oranges, lemons, and tangelos drove down their prices.

The yearend holidays are a season of party gatherings and gift giving which generally fosters a high demand for fruit. Apples are a traditional holiday fruit and this year the quality is reported excellent. However, the larger supplies from the 2004 apple crop are driving apple prices lower. Fresh apples in cold storage on December 1, 2004, were 26 percent higher than the same period in 2003 and 12 percent higher than the previous 5-year average. Continued larger supplies of apples are expected with the bigger crop and therefore, apple prices are likely to remain lower than a year ago into 2005, especially as some export supplies may be diverted to the domestic market with the decision to ban U.S. apples to enter Taiwan due to phytosanitary reasons (more detail on this in the Fruit and Tree Nuts Trade Outlook section). Taiwan is the United States' third largest export market for fresh apples, accounting for about one-tenth of total export volume.

Figure 1

Index of prices received by growers for fruit and tree nuts

1990-92=100



Source: National Agricultural Statistics Service, USDA.

Low supplies of grapes in December relative to the previous year, due for the most part to the slow start to the winter grape shipments from Chile and partly to the clearing out of supplies from California, helped boost grape prices in December. Early- to mid-December shipments from Chile were down as much as 50 to 60 percent from the same period the previous year, but supplies were picking up by the end of the month putting downward pressure on grape prices. F.o.b. shipping-point prices for Thompson seedless grapes imported from Chile and entering the port of Philadelphia as of mid-January ranged from \$18.00 to \$20.00 per 18-lb bagged container of large-size grapes and \$16.00 to \$18.00 for medium-size grapes. Prices have come down from as high as \$32.00 to \$36.00 in early- to mid-December but has held up to around 25 to 30 percent higher than a year ago. Supplies are expected to increase as the season gets fully underway and prices are likely to continue to drop.

Fresh grapefruit prices are likely to remain strong into this year as 2004/05 supplies have been drastically curtailed by the devastating hurricanes in Florida last fall. Smaller supplies of imported Spanish clementines in the domestic market relative to the previous year have been driving their prices higher and adding to the boost in demand for domestically-grown fresh oranges. December fresh orange prices, while holding up strong compared with the previous year, have already weakened. As supplies of California navels continue to increase for the season and shipments for a variety of imported fruit from Chile gets fully underway, fresh orange prices will likely continue to weaken. Lemon prices are also likely to decline with continued increased supplies.

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

Commodity	2003		2004		2003-04 Change	
	November	December	November	December	November	December
	--Dollars per box--				Percent	
Citrus fruit: 1/						
Grapefruit, all	4.16	3.57	14.22	14.55	241.8	307.6
Grapefruit, fresh	6.91	6.32	18.30	18.89	164.8	198.9
Lemons, all	5.56	3.83	9.37	8.20	68.5	47.5
Lemons, fresh	10.56	9.32	16.58	16.14	57.0	52.8
Oranges, all	2.29	2.55	7.41	2.62	223.6	2.7
Oranges, fresh	8.50	7.81	12.01	9.17	41.3	17.4
--Dollars per pound--						
Noncitrus fruit:						
Apples, fresh 2/	0.30	0.28	0.24	0.22	-19.5	-20.1
Grapes, fresh 2/	0.33	0.37	0.54	0.58	63.6	55.4
Peaches, fresh 2/	--	--	--	--	--	--
Pears, fresh 2/	0.19	0.19	0.24	0.25	24.7	27.6
Strawberries, fresh	1.65	1.77	1.90	1.82	15.2	2.8

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: National Agricultural Statistics Service, USDA.

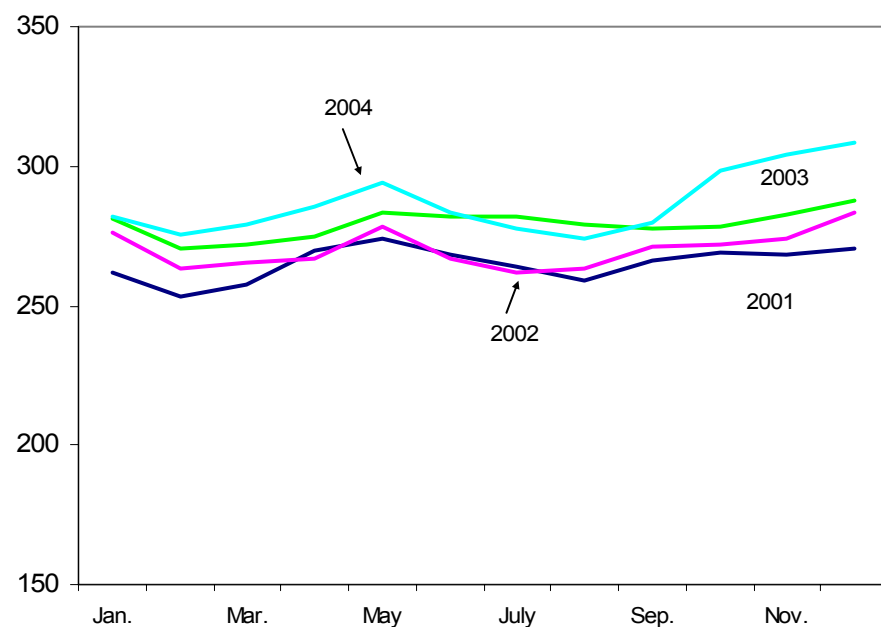
Retail Fruit Prices for Most Fresh Fruit Continue Higher For Rest of 2004

The Consumer Price Index (CPI) for fresh fruit rose 8 percent in November 2004 from November 2003 to 303.9 (1982-84=100) as consumers paid higher prices at the retail level for fresh oranges, grapefruit, Red Delicious apples, Thompson seedless grapes, and strawberries (fig. 2). These higher prices more than offset the lower prices consumers paid for lemons and bananas. On a year-to-year comparison, the CPI for fresh fruit continued to reach record-high levels for each month since September. The largest price gains were for grapefruit, strawberries, and grapes (table 2). In November, retailers lacked promotable supplies of fresh grapefruit as a result of the hurricanes that largely curtailed the 2004/05 Florida grapefruit crop. Strong demand and seasonally declining supplies of strawberries and grapes from California, the main supplier to the domestic market, helped boost their prices. Despite greater supplies, apple prices generally held strong in November, as reflected in the November 2004 CPI for apples that has strengthened from the previous month and remained about unchanged from the same time the previous year, at 238.1 (1982-84=100). Both the greater supplies and the good quality of this season's apple crop have contributed to strong early-season sales of fresh apples, with product movement to markets in November 2004 up 18 percent from the same time the previous year.

Figure 2

Consumer Price Index for fresh fruit

1982-84=100



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

The December 2004 CPI for fresh fruit rose 7 percent over December 2003 and is up 1 percent from this past November. Retail prices rose from last December for fresh oranges and grapefruit. Similar year-to-year comparisons cannot be applied to strawberry and Thompson seedless grape prices because their retail prices were not reported the previous year. However, relative to earlier years, December strawberry and Thompson seedless grape prices were the highest, suggesting a strong market. While retail prices for Red Delicious apples fell below the previous year for the first time since the start of the 2004/05 season, continued strong fresh apple sales helped boost overall apple prices (December CPI for apples was 1 percent higher than the year earlier).

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

Table 2. U.S. monthly retail price, selected fruit, 2000-2004							
Commodity	Unit	2003		2004		2003-04 Change	
		November	December	November	December	November	December
		--- Dollars ---		--- Dollars ---		--- Percent ---	
Fresh:							
Valencia oranges	Lb	--	--	--	--	--	--
Navel oranges	Lb	0.971	0.862	1.080	0.865	11.2	0.3
Grapefruit	Lb	0.718	0.676	0.951	0.950	32.5	40.5
Lemons	Lb	1.308	1.264	1.173	1.159	-10.3	-8.3
Red Delicious apples	Lb	0.970	0.957	0.985	0.950	1.5	-0.7
Bananas	Lb	0.498	0.504	0.469	0.474	-5.8	-6.0
Peaches	Lb	--	--	--	--	--	--
Strawberries 1/	12-oz pint	2.410	--	3.185	3.602	32.2	--
Thompson seedless grapes	Lb	2.248	--	2.768	3.093	23.1	--
Processed:							
Orange juice, concentrate 2/	16-fl. oz	1.905	1.834	1.922	1.961	0.9	6.9
Wine	liter	6.574	6.393	6.816	7.610	3.7	19.0

-- 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.

California Avocado Crop Likely Smaller in 2004/05

Avocado production in the Nation's major production center, California, will likely be smaller in 2004/05 than the previous season. Based on indications from the California Avocado Commission, the Economic Research Service projects the 2004/05 California avocado crop to be about 191,000 short tons, 12 percent smaller than last season but still average in size, allowing for sufficient supplies to be made available to consumers. The crop had already been anticipated to be smaller prior to the recent storms that had brought damage to some of the State's avocado growing areas, particularly in Ventura County. While the effects of these storms on overall crop size have not yet been determined, the final production estimate for the season may end up smaller than the current projection. California avocado producers harvested 217,000 short tons of avocados during 2003/04, representing 93 percent of the entire U.S. crop and the largest crop since 1992/93 (table 3). The significant increase in production last season drove down prices received by California avocado growers.

While California avocado supplies are expected to fall behind last year, growers are not likely to receive strong prices in 2004/05 as increased supplies from key foreign suppliers—Chile and Mexico—are expected this season. Imports play a crucial role in the U.S. avocado market, making up 40 to 50 percent of available domestic supplies for the marketing season. Favorable weather, good yields, and more trees coming into production have led to expected larger crops in both Chile and Mexico. In addition, expanded export opportunities await Mexico as the U.S. Department of Agriculture recently granted approval for Mexican Hass avocados grown in the Mexican State of Michoacan to be shipped into 47 States year-round, effective January 31. Prior to this, the import program limited shipments to 31 States and for the shipping period from October 15 through April 15. Permission to ship to the

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

Season	California			Florida			United States 2/		
	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	1,950	356,410
2000/01	213,000	1,480	315,842	26,000	584	15,184	239,320	1,400	331,397
2001/02	200,000	1,790	358,000	23,000	676	15,548	223,300	1,670	373,890
2002/03	168,000	2,170	364,560	31,000	556	17,236	199,350	1,920	382,188
2003/04	217,000	1,760	381,920	17,000	808	13,736	234,380	1,690	396,127

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.

avocado-producing States of California, Florida, and Hawaii will be granted in 2007 provided no problems arise with the import regulations. Mexico's Michoacan growers' conservative harvesting practice of 1-2 metric tons of avocados per hectare was implemented with the gradual opening of the U.S. market so as to not saturate their primary export market. With the recent approval to expand the market in the United States and if there is no threat of market saturation, Michoacan growers have the ability to harvest 10 metric tons per hectare. The Foreign Agricultural Service, however, forecast a conservative harvest of 3 metric tons per hectare for 2004/05 but still resulting in record-high Mexican avocado exports. The United States is Mexico's largest export market for avocados, accounting for over one-third of the total volume it ships out to foreign destinations.

Exports from Chile are also forecast higher than last season with the larger production expected. However, while acreage expansion and newer orchards coming into production point to continued production growth in Chile in the next few years, the rate at which planted acreage is growing will likely level off as growers have already been discouraged by last season's low export prices following many years of high returns. Moreover, Chilean exporters will be facing increased competition with Mexico's market expansion in the United States, and this will continue to put downward pressure on export prices. A majority of Chilean avocado exports are destined for the U.S. market, and the volumes that they ship each season have been and are currently well above those shipped from Mexico.

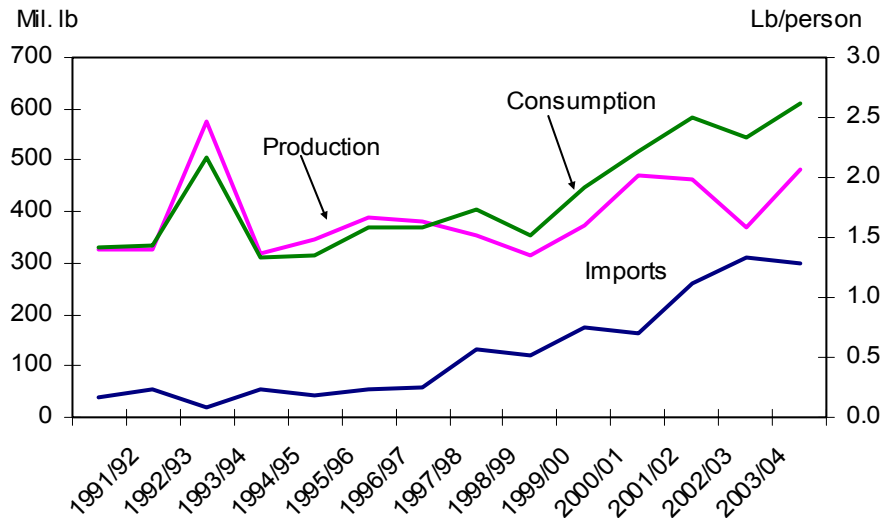
Combined larger shipments from Chile and Mexico from December 2004 through mid-January 2005 are already being reflected in the prices received by their exporters as well as by U.S. growers. F.o.b. shipping point prices for both imported Mexican and Chilean Hass avocados around the second week in January were down to \$22.25 to \$23.25 and \$28.25 to \$30.25 per two-layer carton, respectively. About the same time last year, the prices ranged from \$23.25 to \$24.25 and \$32.25 to \$34.25. South District California f.o.b. shipping point prices for the same period ranged from \$30.25 to \$33.25 per two-layer carton of Hass avocados, compared with \$32.25 to \$34.25 last year.

Although not as large a producer as California, Florida produces about 12 percent of the U.S. avocado crop. The quantity shipped so far from Florida since late October has been more than double the size the same time during 2003/04, likely adding to the price squeeze to domestic avocado growers.

American consumers should hopefully benefit from increased avocado supplies this season and in the years to come with the expansion of the U.S. market to Mexican avocados. Market demand for avocados has remained strong in recent years and will likely continue to remain strong as the large Hispanic population in the United States continues to grow and as many consumers continue to strive to make healthy choices in their food, alongside aggressive promotional campaigns by the industry on the healthfulness of eating avocados to help boost U.S. avocado demand. The growth in U.S. avocado consumption has been robust, increasing by more than 50 percent from an average of 1.6 pounds per person during the 1990s to over 2.0 pounds per person in the last 4 years (fig. 3). Although a smaller crop is likely to be harvested in California this season, the expected increase in imports from Chile and Mexico can more than make up for the decline in domestic production and because exports play only a minor role, about 1 percent of production, an increase in overall consumption will likely be achieved during 2004/05.

Figure 3

Domestic fresh avocado supply and consumption



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

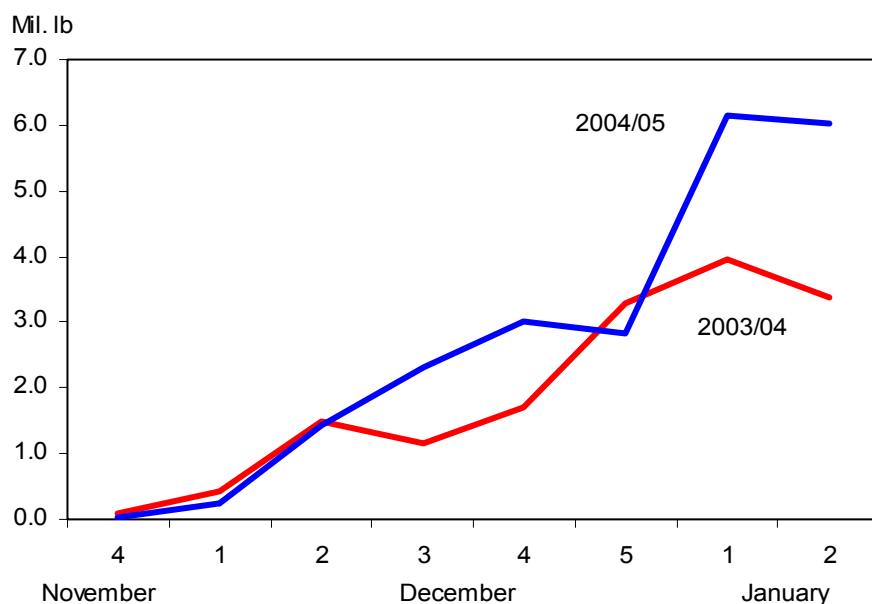
2005 Florida Winter Strawberry Supplies Larger

Planting for the 2005 Florida winter strawberry season started a couple of weeks later than normal in October, but ideal growing weather this past fall, following a series of hurricanes, has promoted crop growth and is yielding large supplies of excellent quality berries. Shipments started off slow and were below the previous season in late November through the second week in December (fig. 4). Supplies, however, picked up by mid-month, with as much as double the volume shipped for the week compared with the same time the year before. Cold, rainy weather during the last week in December slowed planting and harvesting and many growers also observed the holidays, pushing shipments slightly behind during that week. The cold front, however, aided in the development of strawberries, producing sweeter, juicier berries and sharply increased supplies the following week. Cumulative shipments for this winter season through mid-January have already surpassed the same time last season by about 42 percent, according to weekly shipment data from the Agricultural Marketing Service of the U.S. Department of Agriculture. As long as no major weather problems arise, shipments from Florida should continue to increase, reaching peak levels around March.

Opening season f.o.b. prices in Central Florida ranged from \$22.90 to \$26.90 per flat of 12, 1-pint baskets of medium-large berries, slightly higher than during the same time last season. While demand has remained fairly good for the season thus far, prices have already weakened as shipments gained momentum further into December and into the new year. As of mid-January, the range in prices had already declined to \$16.90 to \$18.90 per flat. Around the same time in 2003, prices ranged from \$18.90 to \$22.90 per flat. With more volume anticipated towards the heavy shipping period of February and March, prices are likely to continue to decline unless supplies in California take much time to recover from a series of

storms that have brought heavy rains to strawberry growing areas in the southern portion of the State, disrupting harvesting and causing some fruit loss. The shipping season for California's early growing region (Oxnard, Orange County/San Diego) typically runs during the winter months and through the spring. There are also concerns that the unusual amount of moisture received from the recent storms may result in misshapen fruit that could have the most negative impact on fresh-market supplies. While typically a low volume period for California, late-December to early-January shipments from the State were running 13 to 15 percent lower than the same time the previous season. By mid-month, California shipments fell much lower, driving up strawberry grower prices.

Figure 4
Weekly shipments of fresh strawberries from Florida



Source: Agricultural Marketing Service, U.S. Department of Agriculture.

Fruit and Tree Nuts Trade Outlook

2004/05 Exports Lagging for Most Fresh Fruit

With the 2004/05 marketing season underway, lower exports are reported for the season through November 2004 for most U.S. fresh-market fruit compared with the previous season (table 4). Exceptions to the lagging exports were those for fresh apples and grapes, both carrying a large share of the total export volume. Fresh grapefruit exports have had the most significant decline so far, down 51 percent and lagging to all its markets, including Japan, Canada, and the European Union. Grapefruit exports are expected to remain sluggish in the months to come in light of the much smaller grapefruit crop in Florida due to the recent hurricanes. Florida is the largest source of grapefruit in the United States, producing 65 percent of the fresh-market crop. During 2004/05, the grapefruit crop in Florida is forecast at 553,000 tons, down 68 percent from the previous season.

U.S. fresh lemon exports started off strong in August but shipments fell short of last season during the succeeding months. There appears to be a very strong demand for U.S. fresh lemons in Mexico and the Bahamas as reflected by the big jump in shipments to these markets, however, shipments were down to all the top markets, Japan, Canada, Hong Kong, South Korea, and Australia. Despite an expected larger crop, fresh orange exports were down at the start of the 2004/05 season as warm weather late in the growing period resulted in some quality problems, reducing the quantity of the California navel crop meeting export quality. Meanwhile, reduced fresh-market pear supplies in 2004/05 are boosting prices and aiding in limiting exports of the product for this season.

Greater supplies and lower prices have aided in bolstering 2004/05 U.S. fresh apple exports thus far. Exports through November were up to two of the country's primary markets, Mexico and Taiwan, as well as many other smaller markets. However, prospects for continued increased fresh apple shipments to Taiwan, the United States' third largest export market, are being shattered by the temporary suspension of shipments of U.S. fresh apples to this market following the detection of a codling moth larva in a shipment from Oregon. Shipments will be suspended until U.S. shippers implement a protocol for the pest that Taiwan will accept. Stemming from a similar incident 2 years ago, the two countries have had an agreement that the United States will be required to halt apple shipments to Taiwan if codling moths were found three times in apple shipments within a year. The most recent larva finding was detected by Taiwan's Bureau of Animal and Plant Health Inspection on December 20. Prior to this, codling moth was detected in three separate shipments on September 1, October 7, and October 14 (the latter two were counted as one incident). The United States typically ship most of the apples bound for Taiwan from September through April.

The absence of such a major market for the United States could push overall apple exports down this season, but the industry is hopeful that demand for U.S. apples in other export markets remain strong and that new agreements with Mexico pertaining to the suspension of the 46.6 percent anti-dumping tariff on Northwest (Washington, Idaho, and Oregon) U.S. Red and Golden Delicious apples may have an offsetting effect. Mexico has remained as the largest market for U.S. apple exports but shipments to this market have declined significantly since 2002 when the high antidumping tariff was imposed. The suspension of the tariff will take

effect by the end of February and instead, Northwest U.S. Red and Golden Delicious apples will be sold in the Mexican market at delivered prices to the border at minimum levels. The minimum prices will vary depending on the time of the year and the Mexican port of entry. While still missing out on opportunities to ship much larger quantities of apples prior to March, 2004/05 exports to Mexico may finally be on a rebound, likely surpassing the 190.0 million pounds shipped last season.

The outlook for U.S. tree nut exports continues strong. Almond exports are about the same as a year ago, with continued strong exports to most major markets, except to Japan. Walnut and pecan exports are also strong despite projected smaller crops for this season. While the projection for the 2004/05 California pistachio crop has not yet been released, this is the on-year for its production, and increased supplies are contributing to the strong boost in exports thus far. Pistachio exports are showing the strongest growth thus far of all the tree nuts, with significantly larger shipments to several key markets, including Belgium, France, Luxembourg, and Hong Kong, relative to the same period last season.

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

Commodity	Marketing season	Season-to-date (through November)		Year-to-date change
		2003	2004	
		--- 1,000 pounds ---		Percent
Fresh-market:				
Oranges	November-October	44,956	43,874	-2.4
Grapefruit	September-August	179,768	87,405	-51.4
Lemons	August-July	61,548	52,066	-15.4
Apples	August-July	360,874	394,532	9.3
Grapes	May-April	530,275	605,231	14.1
Pears	July-June	184,965	176,081	-4.8
Peaches (including nectarines)	January-December	270,123	230,005	-14.9
Strawberries	January-December	190,212	177,131	-6.9
Sweet cherries	January-December	96,869	87,499	-9.7
		--- 1,000 sse gallons 1/ ---		
Processed:				
Orange juice, frozen concentrate	October-September	12,803	11,569	-9.6
Orange juice, not-from-concentrate	October-September	9,725	10,337	6.3
Grapefruit juice	October-September	7,988	4,437	-44.4
Apple juice and cider	August-July	1,750	1,397	-20.2
Wine	January-December	80,103	94,475	17.9
		--- 1,000 pounds ---		
Raisins	August-July	96,078	101,037	5.2
Canned pears	August-July	2,284	5,259	130.3
Canned peaches	July-June	56,783	42,115	-25.8
Frozen strawberries	January-December	21,078	20,509	-2.7
		--- 1,000 pounds ---		
Tree nuts:				
Almonds (shelled basis)	August-July	325,571	324,599	-0.3
Walnuts (shelled basis)	August-July	65,570	71,149	8.5
Pecans (shelled basis)	September-August	5,673	7,568	33.4
Pistachios (shelled basis)	September-August	6,355	15,707	147.2

1/ Single-strength equivalent.

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

2004/05 Imports of Fresh Apples, Grapes, and Pears Down Thus far

A larger 2004 apple crop has increased the available supplies needed to meet domestic demand and is resulting in lower fresh apple imports for this season. In particular, crop size is estimated to be 30 percent larger in Washington where over one-third of the country's fresh-market apples are produced. Depending on how strong opportunities are in other export markets, Taiwan-bound U.S. apples that will remain in the domestic market due to the country's temporary ban on imports of U.S. apples will further reduce the need for increased imports.

U.S. imports of grapes and pears for this season through November have lagged last season (table 5). Adverse weather had delayed harvesting of the grape crop in Sonora, Mexico and affected quality of their crop. Shipments of fresh grapes from Mexico into the United States are down 26 percent and mostly affecting total grape imports earlier in the season. The bulk of the U.S. fresh-market grape supplies during the winter come from Chile. The Foreign Agricultural Service projects a larger, good quality grape crop in Chile for this season as a result of a combination of good weather during the growing period and expansion in harvested area. Although shipments from Chile have started off slow, particularly in December, (based on shipment data from the Agricultural Marketing Service of USDA) supplies are expected to increase over last year for this winter. Meanwhile, smaller shipments from Japan, Republic of South Africa, and Canada are pushing 2004/05 U.S. pear imports through November down 9 percent from a season ago. U.S. fresh pear imports may likely move above last season in the next couple of months when the shipping season for pears from Argentina and Chile gets underway. These two countries stand as the two largest suppliers of pears to the United States. Both are projected to harvest larger, good quality pear crops this year, aiding in promoting their export potential.

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

Commodity	Marketing season	Season-to-date (through November)		Year-to-date change
		2003	2004	
		--- 1,000 pounds ---		Percent
Fresh-market:				
Oranges	November-October	206	2,360	1,044.5
Tangerines (including clementines)	October-September	62,428	56,893	-8.9
Lemons	August-July	28,235	56,750	101.0
Limes	September-August	130,193	157,263	20.8
Apples	August-July	61,613	47,645	-22.7
Grapes	May-April	320,409	248,899	-22.3
Pears	July-June	12,533	11,371	-9.3
Peaches (including nectarines)	January-December	124,329	142,720	14.8
Bananas	January-December	7,884,290	7,890,340	0.1
Mangoes	January-December	585,489	577,258	-1.4
		--- 1,000 sse gallons 1/ ---		
Processed:				
Orange juice, frozen concentrate	October-September	34,347	44,187	28.7
Apple juice and cider	August-July	117,257	101,689	-13.3
Wine	January-December	150,305	157,012	4.5
		--- 1,000 pounds ---		
Canned pears	August-July	10,144	11,059	9.0
Canned peaches (including nectarines)	July-June	34,468	32,767	-4.9
Canned pineapple	January-December	682,538	657,217	-3.7
Frozen strawberries	January-December	116,858	119,758	2.5
		--- 1,000 pounds ---		
Tree nuts:				
Brazil nuts (shelled basis)	January-December	22,001	31,524	43.3
Cashews (shelled basis)	January-December	213,627	277,300	29.8
Pine nuts (shelled basis)	January-December	5,310	9,072	70.9
Pecans (shelled basis)	September-August	22,952	25,227	9.9

1/ Single-strength equivalent.

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

Commodity Highlight

U.S. Leads World in Grapefruit Production

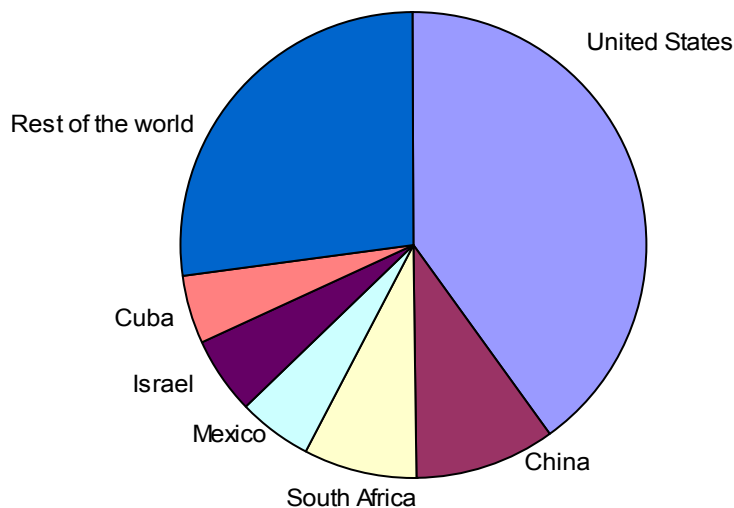
The United States is the world's leading grapefruit producer, accounting for about 40 percent of the world total. According to the United Nation's Food and Agriculture Organization (FAO), China ranks number two, however, China produces mostly the pummelo, which since it is similar to the grapefruit, is grouped together in FAO's data. South Africa, Mexico, Israel, Cuba, and Argentina are the next biggest producers, together accounting for about 25 percent of annual production (fig. 5).

World grapefruit production has been declining over the past 5 years, as U.S. production has been trending downward. Weak U.S. demand for grapefruit and grapefruit products has driven growers to remove acreage either in favor of other agricultural commodities or selling land out of agriculture. While U.S. production has been declining at a rate of almost 6 percent annually since 2000, production has been growing at a rate of 15 percent annually in China and 10 percent annually in South Africa. Growth in China reflects the increased demand of its domestic consumers as incomes are rising. Much of South Africa's increasing production is destined for export markets, with its marketing counter-seasonal to the United States.

The origins of the grapefruit are unknown, however, it is thought to be either a mutation of the pummelo or a cross between a pummelo and an orange. The grapefruit variety popular in the United States was first discovered in Barbados. It was introduced into Florida in the early 1800s. The grapefruit got its name because it grows in a cluster like grapes.

Figure 5

World grapefruit production, 2004



Source: Food and Agriculture Organization, United Nations.

Florida Leads Domestic Production

Florida is the major U.S. grapefruit producer. In a typical season, Florida's production accounts for about 80 percent of the U.S. total. Florida's grapefruit production is concentrated along the mid-eastern coastal counties of Saint Lucie and Indian River, as well as Polk County in central Florida and Hendry County in southwest Florida. With Florida's production averaging 2 million tons a year, it is the world's largest producer of grapefruit.

Texas is the second biggest producer in the United States, although its average crop is only about 12 percent of the size of Florida's. Texas' production is concentrated in the Lower Rio Grande. Its grapefruit production during the seventies and early eighties was about twice the quantity produced in the 2000s before two freezes, one in 1984/85 and another in 1990/91, decimated the industry.

California and Arizona produces the smallest quantity of grapefruit among the major production States. In California, Riverside County accounts for over half of the State's grapefruit bearing acreage. In Arizona, acreage is concentrated in Maricopa/Pinal and Yuma Counties. California and Arizona grapefruit dominate the U.S. market during the spring and summer months when Florida and Texas do not have any supplies, providing for a year round crop and playing an important role in the U.S. grapefruit market.

Bearing Acreage and Production Declining in Recent Years

In response to weak domestic demand for grapefruit since the late nineties, growers have been reducing the number of acres planted to grapefruit trees. While there were almost 200,000 bearing acres in the early eighties, by 2003/04 there were only 114,800 acres. Since 1999/2000, grapefruit bearing acreage has been declining at an average rate of 7 percent annually. Bearing acreage in Florida, which accounts for almost 75 percent of the Nation's total, has been declining at a rate of 8 percent annually, while in Arizona, bearing acreage has been declining at a rate of almost 13 percent annually and in 2003/04, it only had 1,500 acres of bearing grapefruit trees left.

While production has also been trending downward since the early nineties, the decline over the past 5 years has been less rapid than the decline in bearing acreage due to improved planting and management techniques. As a result, production has fallen about 6 percent per year, with output falling more rapidly in Arizona and California than in Florida. Texas production has been relatively stable over the past few years. Texas grapefruit growers have a different situation than growers in the other three States. In the mid-nineties they had increased plantings to replace trees lost during the freezes. These trees would only have begun bearing a sizeable commercial crop during the past few seasons, and growers would be unlikely to remove these newly producing trees.

Grapefruit Marketing Varies by State

Until recently, the major grapefruit-producing States marketed their fruit fairly independently of each other. Florida, the largest producer, had several marketing cooperatives and independent large packinghouses through which they sold most of their fruit. Florida markets its grapefruit from September through June. The fresh-

market fruit must meet requirements established under the Federal marketing order established for citrus grown in Florida. The marketing order authorizes grade, size, maturity level, quality, pack, container, and volume regulations. The industry is currently utilizing grade, size, and volume regulations. The utilized volume regulations apply only to red-seedless grapefruit, and are usually established from mid-September to early February. The grade, size, and volume regulations only cover fruit sold outside of Florida.

In recent years, growers have requested that the marketing order regulate the quantity of small, red-seedless grapefruit, up to a certain size, that can enter the market for the first part of the season. By limiting the number of small fruit, the growers see this as a way of bolstering price and at the same time limiting the number of fruit that have not met optimal maturity levels from flooding the market. Some growers in the Florida industry believe that the early fruit is not as sweet as the later fruit and if consumers find the early fruit too tart they will be turned off to grapefruit for the season, thus lowering demand. By limiting what enters the market during the early weeks of the marketing season, most consumers will not begin purchasing the fruit until the sugar/acid ratios are higher and the fruit is sweeter. In turn, there would be more return purchasers. In a typical season, about 40 percent of Florida's grapefruit are sold for fresh-market with the remainder sold to processors.

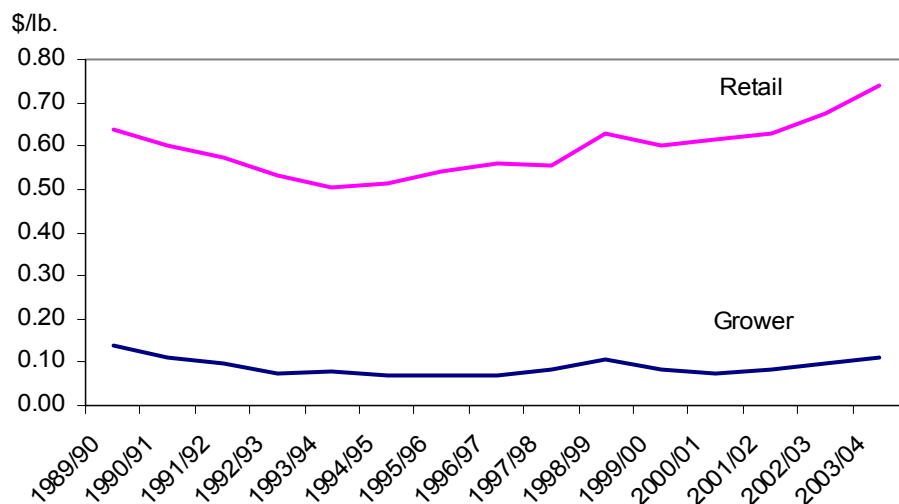
In Texas, grapefruit growers have a separate marketing order from Florida which establishes its own regulations governing grade, size, container, and pack for fruit sold within the United States, Canada, and Mexico. Texas' marketing year runs from October through May. Over the years, Texas' industry has licensed various grapefruit varieties to differentiate its fruit from Florida's which are marketed at the same time. Texas growers have had patents on several red varieties which mutated from pink grapefruit trees in the State. The most popular names are Ruby-Sweet and Red Star. Most of the grapefruit are sold to the fresh market, with only those fruit that do not meet standards sold for processing.

California and Arizona market their grapefruit from November through October and provide the only available grapefruit during the late spring through summer months. California and Arizona do not have marketing orders, but a large portion of their marketing is through Sunkist Growers, a marketing cooperative.

Growers' Share of Retail Price Shrinking

Grapefruit growers receive among the lowest share of the retail price among the major fresh fruit industries. During the 5-year period, 1999/2000-2003/04, grapefruit growers received about 14 percent of the retail dollar (fig. 6). During this time, grower prices averaged 9 cents per pound while the actual retail price (retail price adjusted for spoilage and waste) for fresh grapefruit averaged 56 cents per pound (table 6). While the growers' share of the retail price varies each season, with a low of 11.8 percent in 2000/01 to a high of 21.2 percent in 1989/90, the gap between grower and retail prices over the past two seasons appears to be widening.

Figure 6
Grapefruit grower and retail prices, 1989/90-2003/04



Sources: Bureau of Labor Statistics, U.S. Dept. of Labor, and Economic Research Service, U.S. Dept. of Agriculture.

Table 6--Fresh grapefruit: U.S. monthly average retail price, marketing spread, and grower price, 1989/90-2003/04 1/

Year 2/	Marketing spread			Grower price	
	Retail value 3/	Actual	Portion of retail	Actual	Portion of retail
	Dollars/lb		Percent	Dollars/lb	Percent
1989/90	0.638	0.499	78.2	0.139	21.2
1990/91	0.603	0.491	81.4	0.112	18.0
1991/92	0.571	0.474	83.0	0.097	16.5
1992/93	0.532	0.460	86.4	0.072	13.2
1993/94	0.506	0.426	84.2	0.080	15.3
1994/95	0.514	0.442	86.2	0.071	13.4
1995/96	0.539	0.472	87.5	0.068	12.2
1996/97	0.559	0.488	87.3	0.071	12.3
1997/98	0.557	0.476	85.4	0.081	14.1
1998/99	0.628	0.524	83.4	0.104	16.1
1999/2000	0.600	0.516	85.9	0.084	13.6
2000/01	0.617	0.542	87.9	0.075	11.8
2001/02	0.631	0.550	87.1	0.081	12.5
2002/03	0.673	0.574	85.3	0.099	14.3
2003/04	0.738	0.627	85.0	0.111	14.5

1/ Prices are simple 12-month averages. 2/ Marketing year September of first year through August of the second year shown. 3/ Adjusted to allow for waste and spoilage incurred during marketing.

Sources: Bureau of Labor Statistics, U.S. Department of Labor; National Agricultural Statistics Service and Economic Research Service, USDA.

Processing Market Important to Florida's Industry

Most of the grapefruit grown in Texas, California, and Arizona are sold to the fresh market, with fruit not suitable to be sold fresh going to processing. In Florida, however, about 60 percent of the crop each season goes to processing, mostly for grapefruit juice. Florida growers receive a fraction of the price for their grapefruit sold for processing than if it were sold fresh, however, in most seasons, they receive a positive return on their fruit. California and Arizona growers often sell grapefruit for processing at a loss because it is usually fruit that has already been picked but did not meet fresh-market quality standards.

Grapefruit Consumption Declining, But Prices Drop Faster

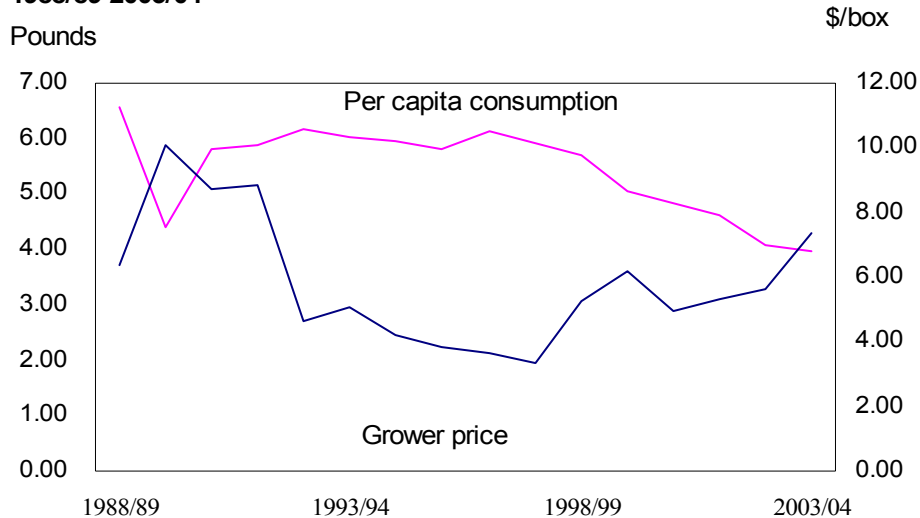
U.S. consumer demand for fresh grapefruit has been declining throughout the 2000s, after remaining relatively steady throughout the nineties (fig. 7). Several factors have contributed to the decline in demand for grapefruit. Among them is the increase in the variety of fruit available during the winter months when most of the fresh grapefruit is marketed. Another is the consumer demand for convenient foods. As of yet, the grapefruit industry has not found an efficient method of providing consumers with fresh grapefruit that they can eat out of hand. Probably the most important factor for the decline in demand for grapefruit, however, is the association between grapefruit and certain medicines. In the nineties, several studies discovered that eating or drinking grapefruit products would intensify the effects of certain medicines. A large group of grapefruit consumers, those in their fifties and older, is also the group most likely to take medications. Because it is not always clear what drugs interact with grapefruit, many older consumers are often cautious about eating grapefruit products while using medications, driving down overall demand.

Although demand for fresh grapefruit has been declining since 1999/2000, prices growers receive for their fresh-market grapefruit fell sharply beginning in 1991/92 and have remained low through 1997/98. A similar pattern occurred in the grapefruit juice market (fig. 8).

The sharp decline in prices beginning in 1991/92 reflected the large supplies of grapefruit available for marketing. Although demand remained stable at this time, growers were producing more grapefruit than demanded. Because of the oversupply of fruit, during several seasons in the nineties, some growers chose not to harvest some of their crop to minimize losses when they realized they would not be able to meet the cost of harvesting and hauling the fruit. The sharp decline in grapefruit juice prices lagged a year behind that of fresh fruit due to low inventories and processors willing to pay high prices despite big supplies to increase juice stocks. Prices rose again in 1999/2000 when fruit for the fresh market had fallen to its lowest levels in the nineties. Since 1999/2000, grapefruit production has

Figure 7

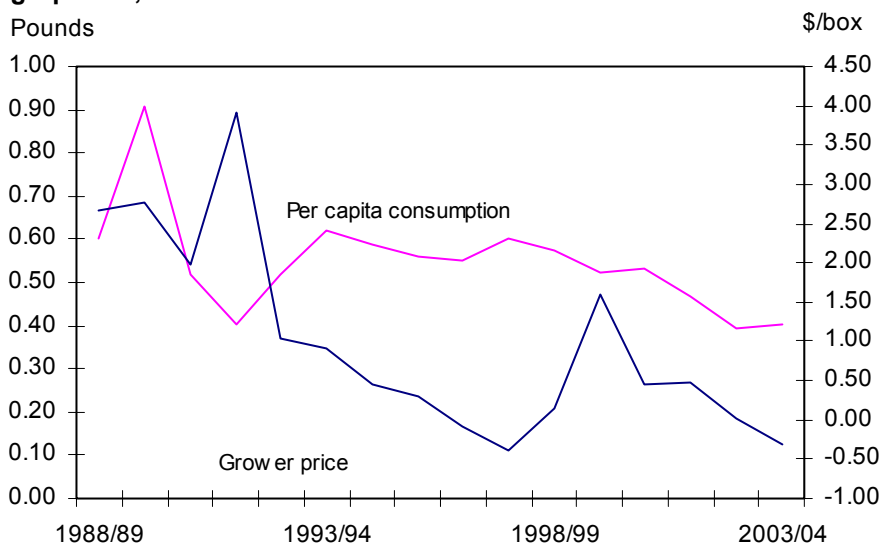
U.S. per capita consumption and grower prices for fresh grapefruit, 1988/89-2003/04



Sources: National Agricultural Statistics Service and Economic Research Service, USDA.

Figure 8

U.S. per capita consumption and grower prices for processed grapefruit, 1988/89-2003/04



Sources: National Agricultural Statistics Service and Economic Research Service, USDA.

declined annually, pushing up prices for fresh grapefruit, but not for processing. While domestic demand for fresh and processing grapefruit has been declining since 2000, export demand for fresh grapefruit has remained steady, increasing overall demand for fresh grapefruit and improving grower prices.

Export Markets Important for U.S. Grapefruit Growers

As U.S. demand for grapefruit and grapefruit products has been trending downward in recent years, the industry has begun to rely more and more on its export markets for sales. In the seventies and early eighties, about one-quarter of U.S. fresh grapefruit were exported. By the late eighties, the share going to exports increased to about 40 percent annually. The top markets for U.S. grapefruit are Japan, the European Union (EU), and Canada. Shipments to Japan account for about half of all exports, the EU accounts for about one-quarter. As the industry has become more reliant on export markets for their products, its revenue has become more tied to changes in the global economy. For example, shipment to Japan and South Korea declined during the Asian economic crisis in the late 1990s, driving down grower revenues to their lowest level in 11 years.

The Hurricanes of 2004 Will Change the Grapefruit Industry for Years to Come

Two of the major hurricanes that hit Florida in the fall of 2004 directly hit the two major east coast grapefruit-production counties in Florida. Both Hurricanes Frances and Jeanne entered Florida at Indian River and St. Lucie Counties. The damage from the hurricanes to grapefruit trees will affect production for years to come. The wind and the rain from the hurricanes reduced the 2004/05 crop drastically. Many growers no longer had any crop to sell. The damage to the trees, however, is much longer lasting. Those trees that did survive will likely produce smaller crops over the next few years as they recover from the stress due to the storms. Many trees were unsalvageable and will need to be replanted. Many growers, however, especially those who have been experiencing financial hardship due to the low prices for grapefruit these past few seasons may opt out of the business, further lowering the quantity of grapefruit available. As the decrease in acreage and production has been the trend since 2000, the result from the hurricanes is likely to quicken the speed of decline. The coastal location of Indian River and St. Lucie are highly desirable locations for development, and some growers may find it to their advantage to sell the land rather than replant to grapefruit.

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

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<http://www.ers.usda.gov/publications/aib792/>

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Related Websites

Fruit and Tree Nuts Briefing Room,

<http://www.ers.usda.gov/Briefing/FruitAndTreeNuts/>

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