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Fruit and Tree Nuts Outlook

Agnes Perez

acperez@ers.usda.gov

Erik Dohlman

edohlman@ers.usda.gov

Kristy Plattner

kplattner@ers.usda.gov

Smaller Crops This Year Boost Fresh-Market Apple, Pear, and Grape Grower Prices

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The next release is
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The index of prices received by fruit and tree nut growers in August, reported at 158 (1990-92=100), was 12 percent above the 2009 August index. Strength in the August index stemmed from grower price gains realized mostly for fresh-market grapes, apples, pears, strawberries, and lemons. The price increases for these commodities in August more than offset significant price declines for fresh-market peaches, grapefruit, and oranges.

USDA's National Agricultural Statistics Service (NASS) initial forecast for the 2010 U.S. apple crop was set at 9.5 billion pounds, down 4 percent from last year and fractionally smaller than the average crop size during 2004-08. Several apple-producing States in the eastern and central portion of the country experienced poor weather conditions, driving down their production this year. Overall production declines in both regions will offset the anticipated output increase in the western region, led by Washington State, the Nation's largest apple producer. In light of the anticipated smaller 2010 crop, fewer supplies remaining from last year's crop have combined with continued strong product movement to markets, providing strength to U.S. fresh-market apple grower prices.

NASS forecast the 2010 U.S. pear crop to be 1.71 billion pounds, 11 percent smaller than last year's big crop. For the most part, the cold, wet weather this spring had impacted pollination, and major producing States—Washington, California, and Oregon—all expect to harvest smaller crops. The combined forecast for the Bartlett pear crop in the three major States is down 9 percent from a year ago while U.S. production of other variety pears is forecast down 12 percent. Overall, the U.S. fresh pear market in 2010/11 is likely to remain strong compared to last season as a result of reduced domestic production, a positive export outlook, and to some extent, less market competition from the forecast smaller U.S. apple crop this year.

The 2010 U.S. grape crop is forecast by NASS to decline for a second consecutive year to 14.2 billion pounds, down 3 percent from last year. While a number of grape-producing States are forecast to produce bigger crops this year, production from major producers such as California, Washington, Oregon, and Michigan is forecast down. Grower prices for fresh-market grapes have strengthened over last year. Lower supplies for the season overall will likely continue to keep prices higher than a year ago for the remainder of this year.

Price Outlook

Fruit and Nut Grower Prices Remain Strong in August

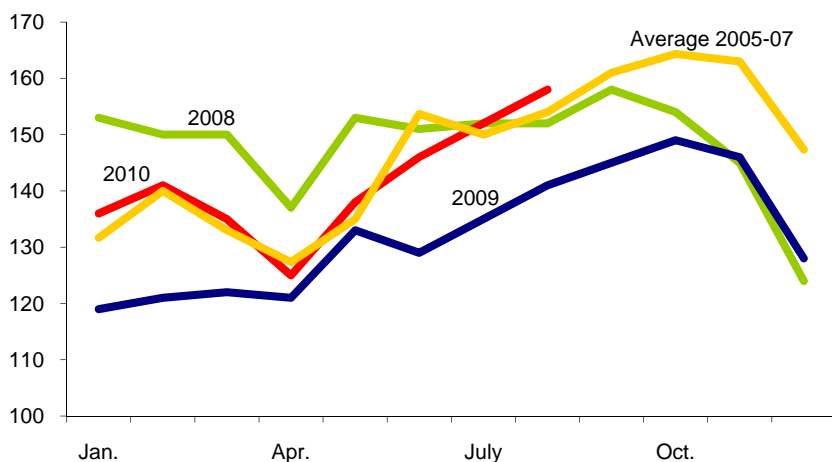
The index of prices received by fruit and tree nut growers in August, reported at 158 (1990-92=100), was 12 percent above the 2009 August index. Strength in the August index stemmed from grower price gains realized mostly for fresh-market grapes, apples, pears, strawberries, and lemons (table 1). The price increases for these commodities in August more than offset significant price declines for fresh-market peaches, grapefruit and oranges.

Apple grower prices remain high, 77 percent and 33 percent above July and August 2009 prices, respectively. Cold storage supplies, down 8 percent, combined with a smaller 2010 crop, maintained strong grower prices. Prices for apples in August were \$0.32 per pound. Pear prices averaged higher than the same time last season due to reduced production caused by unfavorable spring weather in the major producing states. A smaller carryover from last year's crop has also bolstered grower prices for pears to \$0.22 per pound, up 4 percent from the 2009 August average price.

Grape prices in August were 145 percent above last year's grower price at \$0.38 per pound. Grape production is forecast down by NASS for the second year in a row and the overall lower grape supplies will keep prices elevated. Strawberry prices were higher in August compared to last year despite increased shipments.

Reduced supplies held fresh lemon prices strong in August compared to the same time last year. Remaining citrus prices have dropped due to smaller-than-average orange sizes being reported. The smaller sizes are not as desirable in international markets coupled with ample supply hence prices remain weak for oranges. In August, fresh-market orange prices were \$9.49 per box, 11 percent below the same time last year.

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	2009		2010		2009-10 change	
	July	August	July	August	July	August
	-----Dollars per box-----				Percent	
Citrus fruit: 1/						
Grapefruit, all	7.15	6.15	4.10	2.70	-42.7	-56.1
Grapefruit, fresh	7.15	6.15	4.10	2.70	-42.7	-56.1
Lemons, all	12.21	20.79	13.86	16.60	13.5	-20.2
Lemons, fresh	22.98	26.16	24.96	26.93	8.6	2.9
Oranges, all	7.38	8.58	8.67	7.49	17.5	-12.7
Oranges, fresh	10.49	10.61	11.77	9.49	12.2	-10.6
	-----Dollars per pound-----					
Noncitrus fruit:						
Apples, fresh 2/	0.172	0.238	0.304	0.317	76.7	33.2
Grapes, fresh 2/	0.305	0.155	0.375	0.380	23.0	145.2
Peaches, fresh 2/	0.322	0.338	0.256	0.260	-20.5	-23.1
Pears, fresh 2/	0.269	0.212	0.297	0.221	10.6	4.0
Strawberries, fresh	0.748	0.735	0.620	0.790	-17.1	7.5

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*.

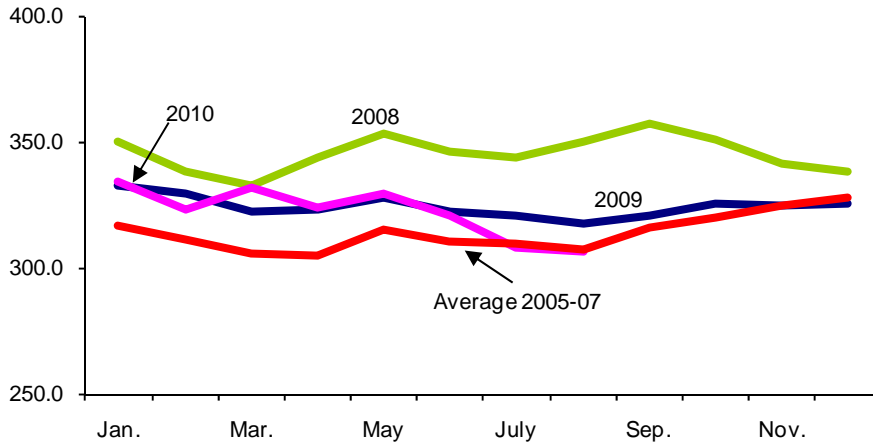
Fresh Fruit Retail Prices Remain Weak

The U.S. consumer price index (CPI) for fresh fruit in August 2010 was 306.6 (1982-84=100), down 3 percent from the August 2009 CPI (fig. 2). The CPI was forced down by the lower retail prices in August for bananas, grapefruit, and Thompson seedless grapes relative to the same time a year ago. Banana retail prices continued to fall through August to \$0.57 per pound, nearly 6 percent lower than last year's August price. Grapefruit prices dropped almost 5 percent to \$0.97 per pound and Thompson seedless grape prices declined by 8 percent to \$1.49 per pound. August recorded a slight increase in orange prices to \$1.24 per pound.

With continued strong demand this summer and lower supplies, fresh lemons in August received prices 5 percent above last season at \$1.66 per pound. Strawberry prices were slightly up in August, finishing at \$1.84 per pint. Red Delicious apples received the highest retail prices at the moment due to lower supply overall. August retail apple prices were 7 percent higher at \$1.31 per pound. These gains in retail prices were not enough to offset the significant drop in prices for grapes, bananas and grapefruits.

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, 2009-10

Commodity	Unit	2009		2010		2009-10 change	
		July	August	July	August	July	August
		--- Dollars ---		--- Dollars ---		--- Percent ---	
Fresh:							
Valencia oranges	pound	0.901	0.961	--	--	--	--
Navel oranges	pound	1.191	1.222	1.149	1.242	-3.5	1.6
Grapefruit	pound	0.993	1.024	0.990	0.974	-0.3	-4.9
Lemons	pound	1.590	1.584	1.672	1.664	5.2	5.1
Red Delicious apples	pound	1.193	1.217	1.290	1.305	8.1	7.2
Bananas	pound	0.616	0.611	0.583	0.576	-5.4	-5.7
Peaches	pound	1.652	1.505	1.682	1.562	1.8	3.8
Anjou pears	pound	--	--	1.304	--	--	--
Strawberries 1/	12-oz. pint	1.639	1.788	1.675	1.839	2.2	2.9
Thompson seedless grapes	pound	1.915	1.615	1.618	1.489	-15.5	-7.8
Processed:							
Orange juice, concentrate 2/	16 fl oz	2.579	2.489	2.464	2.514	-4.5	1.0
Wine	liter	8.757	12.250	8.418	11.189	-3.9	-8.7

-- 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>).

Fruit and Tree Nut Outlook

Smaller Apple Crop Strengthens Grower Prices

USDA's National Agricultural Statistics Service (NASS) initial forecast for the 2010 U.S. apple crop was set at 9.5 billion pounds, down 4 percent from last year and fractionally smaller than the average crop size during 2004-08. Several apple-producing States particularly in the eastern and central portion of the country experienced poor weather conditions, driving down their production this year (table 3). Included among these States are major producers such as New York, Pennsylvania, and Virginia in the east and Ohio and Michigan in the central region. Smaller crops in New York, Pennsylvania, Ohio, and Michigan were mostly attributed to frost problems. Some hail damage was also reported in Pennsylvania. In Virginia, the apple crop experienced favorable spring weather, but hot and dry weather this summer affected crop development. Overall production declines in the eastern and central United States will offset the anticipated output increase in the western region, led by Washington State, the Nation's largest apple producer. Production in Washington was forecast at 5.7 billion pounds, up 5 percent from a year ago. Also among the larger participants in the west, crop size in California was forecast up 17 percent while in Oregon unchanged from last year.

The U.S. apple industry began the 2010/11 marketing season (August-July) with 8 percent fewer supplies of previous-year apples compared to the same time last season, based on NASS cold storage data as of July 31. In light of the anticipated smaller 2010 crop, these lighter supplies have combined with continued strong product movement to markets as the industry moved forward into the new season, providing strength to U.S. fresh-market apple grower prices. With brisk demand, fresh-market apple grower prices averaged higher than a year ago through most of the second half of last season and into August, the beginning month for the 2010/11 season. Domestic fresh-apple shipments this season through mid-September were down 11 percent from the same time last season, based on data from USDA's Agricultural Marketing Service. Harvesting is in progress and supplies are expected to build up seasonally through the fall, likely driving down grower prices from earlier in the season. However, with the overall smaller crop and a forecast for reduced domestic production of competing pears this fall, grower prices are likely to continue higher than a year ago in the next several months.

U.S. fresh-apple prices at the retail level were also higher than a year ago toward the latter part of the 2009/10 season and early into this season. In August, consumers paid \$1.305 for a pound of Red Delicious apples, compared with \$1.215 per pound in August 2009. Though lower than the average \$1.580 per pound in August 2008, this year's August retail price for Red Delicious apples remained higher than any earlier August average price. Retail prices for other apple varieties were also generally higher in August than the previous year, as indicated by the Bureau of Labor Statistics (BLS) consumer price index (CPI) for apples. In August this year, the CPI for apples was reported at 314.5 (1982-84=100), up from 300.3 the same time last year.

Based on historical and forecast production from NASS and industry expectations from the U.S. Apple Association about the level of apple production going into the fresh and various processing product markets this year, the Economic Research

Table 3--Apples: Total production and season-average price received by growers, 2007-09, and indicated 2010 production 1/

States	Production				Price		
	2007	2008	2009	2010	2007	2008	2009
	----- Million pounds -----				---- Cents per pound ----		
Eastern States:							
Connecticut	23	20	20	17	48.9	50.7	51.7
Georgia	2	12	2/	2/	50.0	37.3	2/
Maine	40	39	34	28	40.9	38.9	42.6
Maryland	29	42	47	40	19.6	18.9	15.4
Massachusetts	39	41	44	36	43.7	51.5	46.1
New Hampshire	35	37	30	25	35.6	46.6	45.1
New Jersey	42	43	43	44	22.9	38.1	49.9
New York	1,310	1,270	1,380	1,200	22.2	21.0	15.4
North Carolina	60	165	120	144	9.8	15.2	16.9
Pennsylvania	470	440	510	488	14.2	18.0	13.9
Rhode Island	3	2	2	3	56.1	67.3	61.0
South Carolina	0	7	2/	2/	47.3	17.8	2/
Vermont	38	44	40	33	33.2	35.6	23.7
Virginia	215	226	245	244	12.1	16.6	13.5
West Virginia	80	85	82	82	9.8	14.4	13.8
Total	2,385	2,471	2,596	2,382			
Central States:							
Illinois	6	46	46	50	68.8	46.4	51.8
Indiana	20	23	30	25	28.0	37.8	30.0
Iowa	3	5	5	4	64.2	54.5	66.2
Kentucky	1	8	2/	2/	51.8	54.0	2/
Michigan	770	590	1,150	610	16.9	20.0	12.5
Minnesota	26	27	23	18	63.7	73.4	59.1
Missouri	2	30	19	32	21.3	25.3	26.6
Ohio	56	104	116	110	43.5	42.3	35.2
Tennessee	0	10	8	9	40.0	34.4	32.7
Wisconsin	52	57	44	35	46.8	51.5	41.1
Total	935	900	1,440	893			
Western States:							
Arizona	23	18	6	15	21.9	22.3	23.7
California	345	360	265	310	26.3	30.5	23.5
Colorado	13	18	16	16	21.5	23.4	25.8
Idaho	35	85	45	70	25.2	20.2	21.8
Oregon	135	119	130	130	28.1	23.4	19.7
Utah	19	12	18	10	32.9	28.6	29.6
Washington	5,200	5,650	5,400	5,650	34.2	22.8	27.3
Total	5,770	6,262	5,880	6,201			
United States	9,089	9,633	9,915	9,476	28.8	23.2	23.1

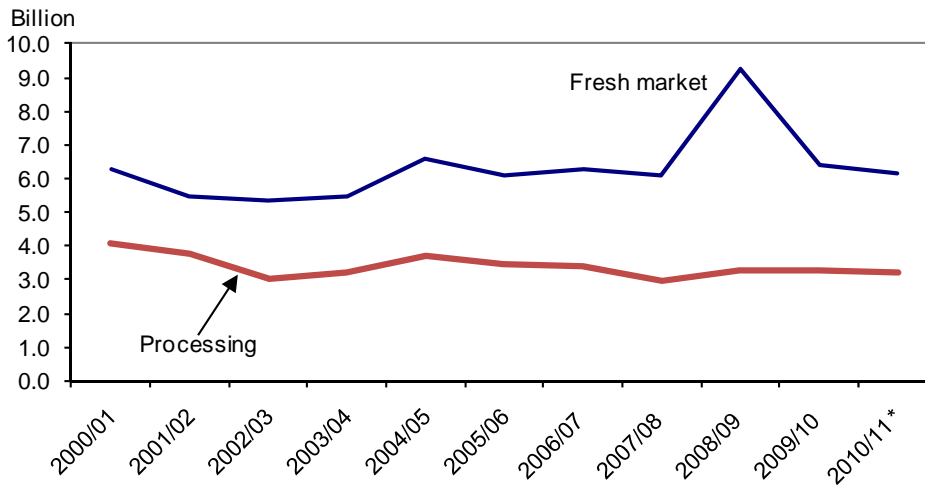
1/ Commercial production from orchards of at least 100 bearing-age trees.

2/ Estimates discontinued in 2009.

Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruit and Nuts 2009 Summary and Crop Production* (August 2010 issue).

Figure 3

U.S. apple production for fresh market and processing



* 2010/11 production are forecast by the Economic Research Service, USDA.
 Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruit and Nuts Summary*, various issues.

Service (ERS) projects U.S. fresh-market apple production at 6.2 billion pounds in 2010/11, down 4 percent from the 2009/10 fresh-market output (fig. 3). For the same period, processing production is projected at 3.2 billion pounds, up 3 percent from last season.

With the prospect of fresh-market production being lower than the previous 5-year average, to keep up with domestic fresh apple demand over the last few years, ERS projects fresh apple imports for the 2010/11 season to be up 5 percent from last season's volume of 361.3 million pounds (table 4). This is in line with the average level over the past 5 seasons (2005/06-2009/10). Despite the import increase, overall fresh-market supplies would decline by 3 percent to about 6.6 billion pounds, limiting export potential and reducing overall domestic consumption. International demand for fresh apples will likely remain strong in 2010/11 due to reduced global production but U.S. fresh apple exports are projected to decline about 3 percent from last season's 1.69 billion pounds due to lower availability. In addition, export potential to Mexico—the No. 1 export market for U.S. apples—will likely be dampened by the recently imposed import tariff of 20 percent on U.S. apples in Mexico. Apples were among the new set of products added to the list of U.S. agricultural commodities that had an import tariff imposed by Mexico in retribution to the U.S.-Mexico trucking dispute. Over the past five marketing seasons, Mexico accounted for over one-third of total fresh-apple export volume in the United States.

The projected decline in processing-use apple production for 2010/11, if realized, will likely put upward pressure on processing-apple grower prices this season. However, year-to-year average prices for the six processed apple products (juice and cider, canned, frozen, dried, fresh sliced, and other) will likely follow different paths depending on their corresponding projected output growth rates for this season and market demand. Projections for this season are for the volume of raw apple product to be utilized by processors for canning and freezing to be down 5 and 1 percent from last season, respectively. Raw apple volume for fresh slicing is

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

Season 1/	Supply			Utilization		
	Utilized production	Imports	Total supply	Exports	Total	Per capita
	-- Million 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	6,273.9	363.8	6,637.7	1,767.6	4,870.1	15.92
2009/10	6,403.9	361.3	6,765.2	1,694.2	5,071.0	16.42
2010/11F	6,178.2	376.6	6,554.8	1,648.6	4,906.1	15.74

F= Forecast. 1/ Season begins in August.

Source: USDA, Economic Research Service calculations.

projected to drop the most in 2010/11, down 33 percent from 2009/10. In addition to the overall lower processing-use apple supplies, processor demand in the fresh sliced apple sector will likely be lackluster in 2010/11 as a result of excess supplies in the previous season. Projected raw apple volume for making dried apples and “other” products (which include vinegar, wine, and slices for pie making) are projected up 4 and 11 percent. Apple production that will be used by the juice processing industry, the largest user of U.S. processing-use apples, is projected to be relatively flat from 2009/10.

Increased juice-apple production in 2009/10 drove down the average grower price for juice apples to \$87.5 per ton, down from \$140.0 per ton in 2008/09 and lower than the previous 3 years. Though production rose last season, U.S. apple juice imports still increased 1 percent to 6.49 billion gallons. The United States imports more apple juice than what it produces. Imports increased 8 percent from China and accounted for 81 percent of total import volume in 2009/10. The next four largest sources were Argentina, Brazil, Chile, and Canada but all four posted declines from the previous season.

Though small relative to imports, U.S. apple juice exports were very strong in 2009/10, increasing 93 percent in volume from the previous season, totaling 15.5 million single-strength equivalent (sse) gallons, the largest volume since the mid-1990s. Exports to the Netherlands took a steep rise and accounted for 43 percent of total volume. Exports to other leading markets such as Canada, Japan, Mexico, South Korea, and the Dominican Republic also went up. Indications of smaller apple crops in Europe, Canada, and China should open up the door for possibly another strong season for U.S. apple juice in international markets.

Reduced Supplies Lead to a Strong Fresh Pear Market

NASS forecast the 2010 U.S. pear crop to be 1.71 billion pounds, 11 percent smaller than last year’s big crop but nearly matching the previous 5-year (2004-08) average crop size. For the most part, the cold, wet weather this spring had impacted

pollination, and major producing States—Washington, California, and Oregon—all expect to harvest smaller crops (table 5). The combined forecast for the Bartlett pear crop in the three major States was revised down 2 percent from the initial forecast in June to 820 million pounds, down 9 percent from a year ago. U.S. production of other variety pears is forecast to total 890 million pounds, down 12 percent from a year ago. Production in the top three States account for about 98 percent of all the U.S. pears produced each season.

The size of the 2010 U.S. pear crop, although down from last year, is expected to be sufficient to meet the needs of both domestic and export markets during the 2010/11 marketing season. With over 60 percent of total utilized production historically going to the fresh market, ERS projects the quantity of fresh-market production from this year's crop to be around 1.08 billion pounds, 11 percent below last year but not to the point of scarcity in the market. Last year's fresh-market crop was a record high, the first time reaching the 1.2-billion-pound mark. This year's projected fresh-market crop, if realized, will be 3 percent above the previous 5-year (2004-08) average fresh-market output.

Table 5--Pears: Total production and season-average price received by growers, 2007-09 and indicated 2010 production

State	Production 1/				Price		
	2007	2008	2009	2010	2007	2008	2009
	--- Million pounds ---				--- Cents per pound ---		
Pacific Coast:							
California:							
Bartlett	402	390	400	370	14.5	18.7	17.6
Other	84	96	110	106	29.3	34.5	21.1
Total	486	486	510	476	17.0	21.8	18.3
Oregon:							
Bartlett	118	113	132	110	18.8	19.8	22.0
Other	294	350	326	290	22.9	24.9	19.9
Total	412	463	458	400	21.7	23.7	20.5
Washington:							
Bartlett	326	332	372	340	18.7	18.4	15.7
Other	478	422	532	470	24.6	26.0	18.7
Total	804	754	904	810	22.2	22.7	17.5
Three States:							
Bartlett	846	835	904	820	16.7	18.7	17.4
Other	856	868	968	866	24.5	26.5	19.4
Total	1,702	1,703	1,872	1,686			
Colorado	3	4	2/	2/	48.8	30.1	2/
Connecticut	2	2	2/	2/	65.0	67.0	2/
Michigan	8	6	8	3/	22.5	20.7	17.2
New York	22	21	22	18	24.9	25.2	24.5
Pennsylvania	8	5	12	6	35.9	37.2	35.6
Utah	0.5	0.6	2/	2/	38.0	36.5	2/
Total	44	37	42	24			
United States							
Bartlett	846	835	904	820	16.7	18.7	17.4
Other	900	905	1,010	890	24.5	26.5	19.4
Total	1,746	1,740	1,914	1,710	20.8	22.8	18.6

1/ Includes unharvested production and production not sold. 2/ Forecasts discontinued in 2009.

3/ The first production estimate will be published in January 2011.

Source: USDA, National Agricultural Statistics Service, *Noncitrus Fruit and Nuts 2009 Summary and Crop Production* (August 2010 issue).

Aside from the smaller expected crop this year, the U.S. pear industry started off the 2010/11 season (July-June) with a smaller carryover from last year's crop, partly resulting from a strong export season in 2009/10. Normally, a heavy presence of previous-crop supplies, particularly when anticipating a large upcoming crop, puts downward pressure on early, new-season prices as marketers sell at a low in an attempt to clear the market for new-season crop arrivals. For this season, fewer supplies are resulting in a strong market for U.S. fresh-use pears. Based on NASS cold storage data, previous-crop supplies of fresh-market pears still available at the end of June were 28 percent lower than in June 30, 2009, with Bartlett pears almost depleted. Prices in July averaged \$594 per ton (or \$0.297 per pound), up from \$537 per ton in July 2009. These prices mostly reflected the value of California pears—the first to come in season.

Picking in the Pacific Northwest was about a week to 10 days behind last year's start date, beginning with early varieties such as Bartletts and Starkrimson at around mid-August, according to the Pear Bureau Northwest. Total fresh pear shipments (includes all three States) for the season through August ran 17 percent below the same time last year, according to AMS data, and this has continued to strengthen prices over last year. Seasonal increases in supplies from Washington, however, drove down the August average price from the previous month's average. At \$441 per ton (or \$0.221 per pound), the August average price held strong relative to the previous year when the 2009 average price for August was \$424 per ton (\$0.212 per pound) and was higher than any August price except in 2008 and 2005. Supplies continued to build up in September with harvesting underway for Anjou, Bosc, and other specialty-variety pears, likely putting additional downward pressure on September prices compared to earlier in the season. Overall, however, the U.S. fresh pear market in 2010/11 is likely to remain strong compared to last season as a result of reduced domestic production, a positive export outlook, and to some extent, less market competition from the forecast smaller U.S. apple crop this year.

Tight world pear supplies should keep international demand strong, likely preventing U.S. pear exports to fall below the average of the past 5 years. Because this year's U.S. pear crop is reported to be of normal quality, export opportunities are likely to open up for U.S. pears, especially in Europe where production is expected to be below average and in other markets where the United States competes with European exporters, according to the Pear Bureau Northwest. Exports account for about one-third of all U.S. pears for fresh use and with the smaller crop this season, international demand is expected to compete with the domestic market for supplies. Both U.S. consumption and exports of fresh pears will likely drop this season (2010/11) from the previous due to lower availability (table 6). Should U.S. fresh pear imports rise 3 to 4 percent above the average level of the past decade, domestic consumption in 2010/11, while likely to drop from last season, will remain higher than the previous 10-year average of 925.2 million pounds. The United States imported an average of 180 million pounds of fresh pears annually this past decade and exported between 280 and 400 million pounds. On a per capita basis, ERS projects fresh pear consumption in the United States to decline slightly in 2010/11 from the previous season to 3.0 pounds, still maintaining a fairly steady demand trend for this market.

As domestic fresh-market production set a record high in 2009/10 and crop quality was excellent, export volume last season rose to its highest level since 2003/04, increasing 9 percent from the previous season to 361.7 million pound and valued at

Table 6--Fresh pears: Supply and utilization, 1990/91 to date

Season 1/	Supply			Utilization		
	Utilized production	Imports	Total supply	Exports	Total	Per capita
	-- Million pounds --					
1990/91	931.2	101.0	1,032.2	222.4	809.7	3.22
1991/92	924.0	130.5	1,054.5	252.9	801.6	3.14
1992/93	884.4	142.8	1,027.2	221.3	805.9	3.12
1993/94	1,014.8	144.4	1,159.2	282.9	876.3	3.35
1994/95	1,102.0	105.9	1,207.9	297.1	910.8	3.44
1995/96	1,088.5	126.4	1,214.9	316.0	899.0	3.36
1996/97	919.1	171.9	1,091.0	263.4	827.6	3.05
1997/98	1,144.6	149.0	1,293.6	363.2	930.4	3.39
1998/99	1,067.6	190.5	1,258.1	305.2	952.9	3.43
1999/2000	1,130.0	199.0	1,328.9	336.8	992.1	3.53
2000/01	1,146.5	187.6	1,334.1	370.2	963.9	3.40
2001/02	1,136.6	175.8	1,312.4	380.3	932.1	3.25
2002/03	1,048.9	190.3	1,239.2	352.6	886.6	3.06
2003/04	1,119.9	147.1	1,267.0	367.1	899.8	3.08
2004/05	1,028.5	168.6	1,197.1	325.4	871.7	2.96
2005/06	1,008.8	184.6	1,193.4	326.5	866.9	2.91
2006/07	1,001.4	236.9	1,238.3	280.2	958.1	3.19
2007/08	1,103.9	189.2	1,293.2	356.2	937.0	3.09
2008/09	1,097.9	185.0	1,282.8	331.0	951.8	3.11
2009/10	1,207.6	138.3	1,345.9	361.7	984.2	3.19
2010/11F	1,079.4	186.8	1,266.2	331.1	935.1	3.00

F= Forecast. 1/ Season begins in August.

Source: USDA, Economic Research Service calculations.

\$157.2 million, up 2 percent from the previous season. Mexico's 20-percent import tariff on U.S. pears and a larger Mexican pear crop last year lowered 2009/10 U.S. pear shipments to Mexico, the No. 1 export market for U.S. pears and accounting for over one-third of total volume. However, more than making up for this decline were substantial increases in volumes shipped to other leading markets. U.S. shipments declined 13 percent to Mexico but were up by the same magnitude to Canada, the No. 2 market, and up at least 50 percent to other leading markets such as Brazil, Russia, the United Arab Emirates, and Colombia. Early 2010/11 export shipments are low. With harvest delays and a smaller crop, July export volume for the 2010/11 season declined 29 percent from the same time last year.

U.S. fresh pear import volume declined 25 percent in 2009/10 from the previous season, dropping substantially from most markets including top sources like Argentina, Chile, and China. For the current season (2010/11), import volume in July (the first month of the marketing season) was up 28 percent from July 2009, with shipments from Chile accounting for almost 70 percent of total volume and most of the growth.

On the processing side of the industry, the smaller Bartlett pear crop expected this year points to diminished raw material pears in 2010/11, likely driving up processing-use pear grower prices for this season. Processor demand has been strong in 2008/09 and 2009/10 as reflected by continued strong prices during the past two seasons. In 2008/09, processed pear grower prices averaged a record high even though processing-use production remained fairly flat from the previous year. In 2009/10, processing-use production rose to the highest volume in the last 4 years, increasing 10 percent from the 2008/09 output, yet the average grower price for the season still nearly matched the 2008/09 record price.

U.S. Grape Production Down in 2010

The 2010 U.S. grape crop is forecast by NASS to decline for a second straight year to 14.2 billion pounds, down 3 percent from last year (table 7). While a number of

grape-producing States are forecast to produce bigger crops this year, production from major producers such as California, Washington, Oregon, and Michigan is forecast down. Ranking third in crop size, only New York State among the major producers is forecast to have a production gain this year, up 29 percent and with good to excellent crop quality. Ohio and Virginia are two other States anticipated to have reduced production.

A forecast 6-percent decline in California's wine grape production will more than offset increases in the State's table-grape (up 3 percent) and raisin-grape (up 1 percent) production. Total grape production in California for the 2010/11 season (May-April) is forecast at 12.7 billion pounds, down 3 percent from the previous year. This production will be comprised of 1.8 billion pounds of table grapes, 3.9 billion pounds of raisin grapes, and 7.0 billion pounds of wine grapes. Weather has been mostly favorable throughout the growing season but some mildew problems have been reported due to cold and damp weather in the spring and early summer.

Production in Washington is forecast to decline 3 percent to 740 million pounds this season, with juice-grape production accounting for the drop. This year's juice-grape production in Washington is forecast to decline 7 percent from last year to 420 million pounds. For the same period, wine-grape production in the State is forecast to set a new record at 320 million pounds, up 3 percent from previous record crop last year.

Table 7--Grapes: Total production and season-average price received by growers in principal States, 2007-09 and indicated 2010 production

State	Production				Price		
	2007	2008	2009	2010	2007	2008	2009
	-- Million pounds --				-- Cents per pound --		
Arizona	2	2	1/	1/	2/	38.8	1/
Arkansas	1	3	4	5	2/	54.0	37.7
Georgia	6	7	9	9	60.0	56.5	74.0
Michigan	200	147	193	90	14.0	18.5	17.6
Missouri	5	10	9	10	46.6	48.1	45.1
New York	360	344	266	340	14.8	17.1	18.6
North Carolina	7	11	10	11	63.5	58.5	62.5
Ohio	15	11	11	8	19.5	17.8	48.7
Oregon	77	69	80	80	94.0	102.5	95.5
Pennsylvania	168	214	128	160	13.3	14.8	15.0
Texas	10	8	12	18	58.0	60.0	58.5
Virginia	11	14	17	17	70.0	76.5	80.0
Washington							
Wine	254	290	312	320	47.7	51.5	49.5
Juice	538	410	450	420	9.9	12.5	12.4
All	792	700	762	740	22.0	28.7	27.6
Total 3/	1,655	1,543	1,502	1,487			
California:							
Wine	6,576	6,110	7,486	7,000	28.2	30.5	30.7
Table	1,582	1,946	1,748	1,800	39.4	20.3	23.3
Raisin 4/	4,302	5,040	3,854	3,900	13.9	13.3	14.8
All	12,460	13,096	13,088	12,700	24.7	22.3	25.0
United States	14,115	14,639	14,590	14,187	24.5	22.9	25.4

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 2009 Summary and Crop Production* (August 2010 issue).

Fresh-Market Grape Production Projected Down Again in 2010/11: Along with lighter supplies from other producing States like Michigan and Ohio, about 4 percent of California's fresh-market grapes also comes from the State's wine-grape crop which is expected smaller this year. Another 15 to 20 percent comes from California's raisin-grape crop (primarily the Thompson seedless variety) but the crop is only up slightly this year and the fresh market will have to compete with processors in the raisin market. Therefore, the forecast smaller U.S. grape crop in 2010 would reduce this season's (2010/11) fresh-market supplies from last season but increased table-grape production in California will limit this decline.

ERS projects fresh-market grape production in 2010/11 to be down almost 1 percent from last season, totaling 1.86 billion pounds (table 8). If realized, this amount of production would still be 2 percent above the average fresh-market output during 2004/05 to 2008/09, suggesting there should be sufficient supplies of U.S. grapes this season to meet current domestic and export demand. Both total export volume and domestic consumption declined from the previous season in 2009/10, partly because of lower availability. Domestic supplies were also limited by the lower volume from imports in 2009/10, mostly associated with a weather-reduced crop in Chile and the marketing problems associated with the February 2010 earthquake in that country. U.S. fresh-grape imports are primarily from Chile and entering heavily during the winter and early spring when domestic production is absent. It is still too early to have any outlook on Chile's 2010 grape crop but should U.S. fresh grape imports this season grow 9 percent—the average positive growth rate for imports over the past decade—and exports remain at the same level as last, U.S. per capita fresh-grape consumption would show positive growth in 2010/11. U.S. per capita fresh-grape consumption fluctuates year to year but the general trend has been upwards over the past 20 years. Per capita consumption in 2009/10, estimated at 7.9 pounds, was down from 8.5 pounds the previous season.

Table 8--Fresh grapes: Supply and utilization, 1990/91 to date

Season 1/	Supply			Utilization		
	Utilized production	Imports	Total supply	Exports	Consumption	
					Total	Per capita
	-- Million 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	739.5	2,610.2	8.53
2009/10	1,878.0	1,230.8	3,108.8	662.2	2,446.7	7.92
2010/11 F/	1,861.9	1,341.6	3,203.5	662.3	2,541.2	8.15

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.

A wet and cold spring slowed crop maturity delaying the start to California's 2010/11 grape shipping season. The first to come to market, fresh table grape supplies from California's Coachella Valley region in the south already finished with larger shipments overall, driving down grower prices for fresh-market grapes in June from the same time last year. NASS reported the June average grower price was \$1,010 per ton, compared with \$1,120 in June 2009. Prices declined seasonally in July to \$750 per ton as production moved to the main producing region—the San Joaquin Valley. However, harvest delays from this region also led to light shipments, boosting July prices from last year's July average of \$610 per ton. In August, prices continued higher at \$760 per ton, from \$310 per ton the same time last year. Through early September, cumulative shipments of California grapes remained well below the same time last season based on AMS data. According to industry reports, late-season grape varieties are exhibiting more normal timing to their growth and volumes, likely driving down fresh-market grape prices from earlier in the season. Nonetheless, the lower supplies for the season overall will likely continue to keep prices higher than a year ago for the remainder of this year.

At the retail level, BLS average prices for Thompson seedless grapes declined each month from the previous month since May, from \$2.486 per pound to \$1.489 in August. Besides seasonal increases in U.S. grape supplies during these 3 months, increased imports from Mexico also contributed to the drop in retail prices.

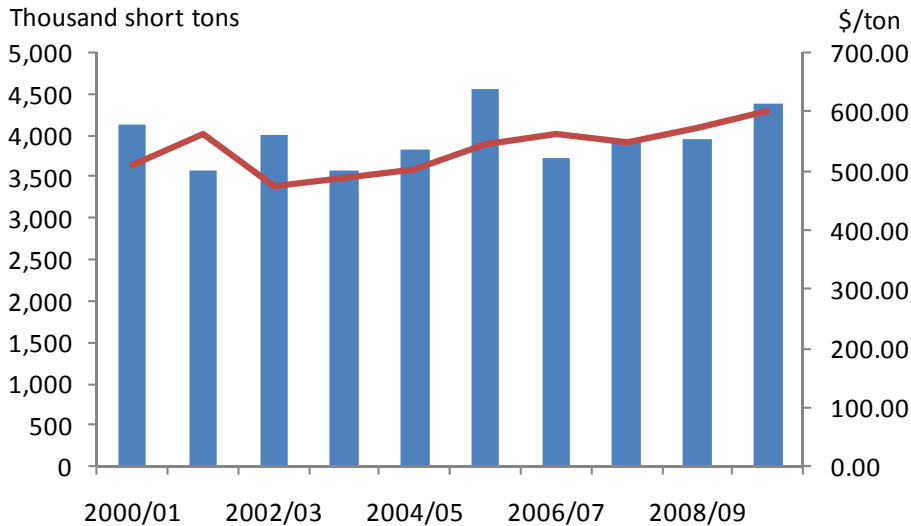
Lighter supplies of U.S. fresh grapes limited export volume thus far for the 2010/11 marketing season. May through July export volume was down 9 percent from the same time a year ago, with declines posted for top U.S. export markets for fresh grapes—Canada, Mexico, Hong Kong, Australia, and Taiwan. An exception to the decline in U.S. exports from leading markets is Indonesia where U.S. shipments of fresh grapes thus far were more than double the volume shipped for the same time last season. Mexico's import tariff on U.S. fresh grapes was significantly lowered from 45 percent to 20 percent but the tariff's continued presence would still likely hamper U.S. export growth to this major market. In 2009/10, with the 45-percent import tariff, U.S. fresh grape exports to Mexico declined from 110.1 million pounds in 2008/09 to 32.6 million pounds, the lowest volume since 1996/97. With this lower volume, the export share to Mexico fell to only 5 percent of total U.S. fresh grape exports in 2009/10, from an average 13-percent share over the previous 10 years.

Quantity of Grapes To Be Crushed for Wine Likely Down: Mostly driven by the smaller wine grape crop in California, the total grapes crushed for wine in the United States will likely be down in 2010/11, driving up prices growers will receive for grapes sold to wineries this season. California's wine-grape crop accounted for over 85 percent of all grapes crushed for wine over the past three seasons. Increases in production in Washington and New York for this season, as well as in other smaller grape- and wine-producing States like Pennsylvania, Texas and North Carolina will offset some of the decline in California's 2010 wine-grape crop. Demand for wine grapes from wineries was strong the past two seasons as reflected by back-to-back years of record-setting high average grower prices for all grapes utilized for wine production along with increased grape production for wine (fig. 4).

Quantity of Grapes Crushed for Juice Also Likely To Drop: In line with the smaller juice-grape crop in Washington and lower production in Michigan, fewer U.S. grapes are anticipated to be made available to juice processors from this year's

Figure 4

U.S. utilized grape production for wine and average grower price



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

harvested crop. All of Washington’s juice-grape crop and about 90 percent of Michigan’s grape crop is for juice production. Together, these two States account for more than half of all U.S. grapes utilized by juice processors. The expected lower supplies for crushing will likely put upward pressure on the prices growers will be receiving from juice processors during the 2010/11 marketing season. Prices in 2009/10 averaged \$264 per ton, up only fractionally from the previous season even though juice-grape output utilized for juice production declined 9 percent. This output decline was also partially influenced by robust grape demand from wineries in 2009/10. Declining imports in the past two seasons of diminishing juice-grape output has likely driven down domestic grape-juice inventories. A further drop in juice-grape volume and strengthening in the average grower price for juice grapes in 2010/11, if realized, would suggest a continued downward push on inventories in the U.S. grape juice industry.

U.S. grape-juice imports in 2009/10, August through July, fell to a 5-year low of 50.1 million single-strength-equivalent (sse) gallons, down 23 percent from the previous season. Most of this decline is attributed to a significant drop in imports from Argentina, the top U.S. source for imported grape juice, accounting for 63 percent of total volume last season. Higher imports from other leading sources particularly Chile, Canada, Mexico, Spain, and Brazil offset part of this decline. Together, these five countries, accounted for more than one-third of total import volume and combined shipments to the United States were up 41 percent.

U.S. grape juice exports declined for a second consecutive season in 2009/10, falling 7 percent in volume to 13.9 million sse gallons. Declines were posted for the United States’ top three export markets for grape juice—Canada, Japan, and South Korea. Shipment volumes also declined to other leading exports markets such as the United Kingdom and the Philippines. Among the larger markets, export growth was positive in China and Taiwan. With the drop in overall export volume,

export value for U.S. grape juice in 2009/10 declined 2 percent from the previous season, totaling \$82.3 million.

Raisin Production Likely To Continue to Fall: Based on the *2010 California Raisin Grape Objective Measurement Report*, bearing acreage for raisin grapes remained unchanged from last year at 216,000 acres. This is the first time that no reduction in bearing acres was reported following consecutive year-over-year declines, beginning in 2003, when total productive area was reported at 255,000 acres. Average bunches per vine totaled 32.0 in 2010, unchanged from a year ago, but average yields were reported slightly higher at 9.03 tons, resulting in a 1-percent bigger raisin-grape crop this year.

Mostly due to larger bearing acreage, the average 2004-09 crop size for raisin grapes in California was 2.14 million tons (or 4.3 billion pounds), whereas the forecast for 2010 is for 1.95 million tons (3.9 billion pounds). Relative to 2009, this forecast is up slightly. However, the cooler and wetter weather early in the summer has led to some mildew problems and pushed the crop about 2 weeks behind normal. This delay is expected to increase the drying ratio and consequently lower U.S. raisin production for the 2010/11 marketing season.

U.S. raisin shipments to domestic and export markets were at near to record-high levels the past three seasons (2007/08-2009/10), strongly suggesting that inventory levels were getting depleted. Prices paid to raisin-grape growers have held strong for that period and increased each year, from \$1,040 per ton (dried basis) in 2007/08 to \$1,160 per ton in 2009/10. The 2009/10 average price was second highest during the past decade, after the 2004/05 average price of \$1,210 per ton.

U.S. raisin imports have remained fairly steady for the past 3 years, accounting for around 10 percent of domestic raisin consumption and sourced mostly from Chile, South Africa, Mexico, and Argentina. In 2009/10, these four countries accounted for 93 percent of total import volume in the United States. Among countries with annual shipments to the United States of at least 1.0 million pounds, China had the largest growth in 2009/10, with imports from that country up more than three times those of the previous season.

Aided by tightening global supplies, U.S. raisin exporters faced another strong season for a third-straight year in 2009/10, with volume topping at 371 million pounds, a new all-time high valued also at a record \$382.5 million. Last season's exports surpassed the previous record of 336 million pounds in 2007/08. Export volume in 2008/09 was down slightly from the previous record but was valued higher at \$279.6 million. With Turkish production down substantially and inventories nearly depleted, 2009/10 shipments of U.S. raisins increased in volume to most of the United States' major international markets, including the United Kingdom, Japan, Germany, and China. Further tightening of supplies globally will continue to provide opportunities for U.S. raisin exporters in 2010/11, however lower availability in the United States is expected to hamper the growth in U.S. exports this season.

Large Supplies To Put Downward Pressure on 2010/11 Cranberry Prices

The forecast for the 2010 U.S. cranberry crop, released by NASS last August, was set at 735 million pounds, up 6 percent from the year before (table 9). This would be the second-largest crop on record, if realized, rising 16 percent above the 10-year average crop size. Overall production growth this year stems mainly from the forecast larger crops in Wisconsin and Massachusetts, the two largest cranberry-producing States in the country. With minimal winter damage, forecast production in Wisconsin, at 435 million pounds, is up 10 percent from last year and also the second-largest on record for the State. Warm weather aided pollination of the crop in Massachusetts which is forecast up 7 percent at 195 million pounds. Combined production for these two States will account for 86 percent of the total crop.

Production in New Jersey, Oregon, and Washington are all forecast down from last year. Above-normal temperatures placed some stress on the New Jersey crop while a cold and wet spring hampered pollination and delayed crop progress in the Pacific Northwest. Freezing temperatures in December also damaged buds in Oregon and the poor weather this spring reduced berry size in Washington.

The overall huge crop, a large carryover of inventories from the previous season, and the possibility of moderately higher imports from Canada likely will put downward pressure on 2010/11 U.S. cranberry grower prices, affecting primarily those destined for the processing sector. The U.S. cranberry industry is facing a carryover volume of 4.61 million barrels for the 2010/11 marketing season, surpassing the 10-year high of 4.34 million barrels reported in 2009/10, based on data from the Cranberry Marketing Committee (CMC). In both the 2009/10 and this season, the level of carryover volume has gone beyond the 3.0 million barrels the industry wants to maintain in order to fulfill current market demand based on previous sales performances. Although total processed sales (includes domestic and exports) for the industry was up slightly in 2009/10, the high carryover volume and above average production still drove the 2009/10 average grower price for processing-use cranberries down to \$47.9 per barrel, from the \$57.2 per barrel average in 2008/09 (fig. 5). With total crop size in 2009/10 down 12 percent from the record high in 2008/09 and lower grower prices for processing-use cranberries, total production value in 2009/10 declined 25 percent from the previous season to \$340.7 million but was higher than in earlier years.

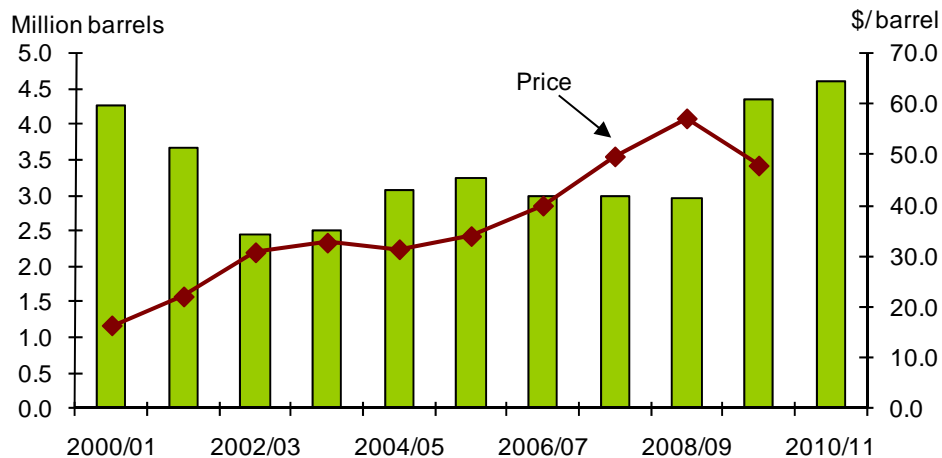
Table 9--Cranberries: Total production and season-average prices received by growers, 2007-09, and indicated 2010 production

State	Production				Price		
	2007	2008	2009	2010	2007	2008	2009
	-- Million pounds --				-- Cents per pound --		
Massachusetts	152	237	182	195	49.8	58.3	46.8
New Jersey 1/	53	51	56	53	46.1	53.0	54.0
Oregon	50	40	43	39	59.6	91.5	36.3
Washington	18	11	16	14	49.6	56.9	58.5
Wisconsin	383	447	395	435	50.5	55.4	50.8
United States	655	787	691	735	50.7	58.0	49.3

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 2009 Summary* and *Cranberries* (released August 2010).

Figure 5

Carry-in cranberry inventories in the United States and average grower prices for processing-use cranberries



1 barrel = 100 pounds.

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

For the current season, CMC projects total U.S. cranberry sales for the industry at a record 7.7 million barrels, up 1 percent from the 2009/10 volume. Fresh cranberry sales will remain a relatively small portion of total sales. Processed sales would make up 96 percent of total sales volume for this season and is projected up 2 percent from last season. Although cranberry sales continue on an upward path, recent large carryover volume may suggest domestic production is expanding faster than recent market growth.

With certain producing areas reporting quality issues due to wet weather, fresh-market production for the 2010/11 marketing season most likely will be lower than the 333,000 barrels (or 33.3 million pounds) produced last year. Should this be the case, the lower supplies could drive up fresh-market prices. Marketing fresh cranberries in the United States remains highly seasonal, mostly led by demand during the year-end holidays. Within this short marketing window, demand for the fresh-market crop has stayed relatively steady. Fresh-market cranberry grower prices have shown consecutive yearly increases since the first time fresh-market prices were reported in 2000/01 and in 5 of the past 10 years, fresh-market prices showed gains despite an increase in fresh supplies.

Record Production Forecast for California Navel Oranges in 2010/11

NASS released its first estimate for the 2010/11 California navel orange crop on September 10, forecasting production at 93.0 million cartons (40 pound equivalent), or 1.86 million tons. If realized, this would be 17 percent higher than last season's revised production estimate of 1.59 million tons and the largest crop on record. The previous high reported by NASS was 1.76 million tons in 2005/06. Note that as of 2010, NASS will use 40 pound equivalent cartons for all California citrus crops, including Navels (previously, cartons had a standard equivalent weight of 37.5 pounds). The NASS forecast was reported in the *2010-11 California Navel Orange Objective Measurement Report*, based on a survey of Central Valley orange groves

conducted between July 16 and August 26, 2010. The Central Valley accounts for 97 percent of California's navel orange crop.

Although bearing acreage of 133,500 was down 1,000 acres from the previous season, a cool wet spring and a cool summer contributed to large fruit set growth. Survey data indicated an average fruit set per tree of 418, well above the 5-year average of 348, and a large improvement from last season's 294. Fruit size is reported to be smaller than average, but orange growers continue to plant trees more densely on newer acreage, with the average number of trees per acre climbing to 133 in 2010, up from 121 during most of the 1990s.

The 2010 *Citrus Summary*, released September 23, reports that the season-average equivalent-on-tree price for California navels in 2009/10 was \$10.73 per 75-pound box, slightly weaker than the \$10.80 per box recorded in 2008/09. The potential for record production in 2010/11, coming on top of fairly strong production in 2009/10, is likely to place continued downward pressure on grower prices in the upcoming season. Domestic fresh orange consumption has been essentially flat this season (2009/10) and only strong demand from export markets (up nearly 30 percent) kept prices from sliding further from 2008/09 levels.

However, major international markets have stronger demand for bigger oranges, and the unusually small average diameter of California navels reported in early September (7 percent smaller than the 5-year average) may somewhat limit export demand in the coming year. Canada (27 percent), South Korea (18 percent), Japan (15 percent), Hong Kong (13 percent), and China (6 percent) account for the bulk of U.S. fresh orange exports through July of this marketing year (November-October). The U.S. dollar exchange rate has been relatively stable against the Canadian dollar, the Chinese Yuan, and Hong Kong dollar this calendar year, is trending weaker against the Japanese Yen, and mostly stronger against the South Korean Won. If these conditions hold in the coming year, it is likely that U.S. exports will not change much based on exchange-rate driven changes in local currency prices for U.S. fresh oranges.

In August this year, Mexico revised its list of tariffs associated with the U.S.-Mexico dispute over the cancellation of a pilot program allowing Mexican trucks to operate in the United States. The revised list included a new 20-percent tariff on oranges. At this point, it is unclear what impact this will have on U.S. orange exports in the coming year, but Mexico has historically accounted for a small share of U.S. orange exports—amounting to less than 2 percent in calendar year 2009 and about 2 percent so far this year (January-July). Similarly, a new 20-percent tariff was placed on U.S. grapefruit exports to Mexico, which also accounts for a relatively small share (1-2 percent) of total U.S. grapefruit exports.

Florida Fresh Citrus Shipments Down in 2009/10

The Florida Department of Citrus released its final fresh-citrus shipment report for the 2009/10 season on September 16. The report indicates that Florida fresh-citrus shipments of 32.5 million 4/5-bushel cartons declined 6 percent from the previous season, while total citrus production had fallen 16 percent. Fresh orange shipments, representing 28 percent of the total, declined 19 percent from the previous season, while tangelo and other tangerine shipments fell 23 percent and 22 percent,

respectively. Fresh-grapefruit shipments (54 percent of fresh-citrus shipments) edged up less than 1 percent and honey tangerine shipments (8 percent of the total) surged 63 percent. Domestic shipments represented 62 percent of the total, slightly lower than the previous year, with the leading markets of Florida, New York, New Jersey and Georgia accounting for 57 percent of the total. The full fresh-shipments report is available at: <http://www.fdocgrower.com/emr/shipmentsfresh.php>.

Florida Citrus Inventory Points to Fewer Citrus Acres

While the official NASS estimates for all of Florida's 2010/11 citrus crops will not be released until October, the NASS Florida Field Office released the Commercial Citrus Inventory Preliminary Report on September 23. The report provides data on the number of commercial citrus acres in 2010 for oranges, grapefruit, tangerines, and tangelos, and covers 30 counties. The inventory found an overall net decrease in citrus acreage of nearly 15,000 acres, or about 3 percent from the previous year's survey. The gross loss of 25,109 acres was larger and the new planting of 10,322 were smaller compared to the previous survey. In absolute acreage terms, the declines were largest for oranges, with acres falling by 9,111 (2 percent) to 483,418 acres. This is the sixth consecutive decline for oranges reported by the survey and the lowest since the record low of 466,252 in 1986. Grapefruit acreage fell another 7 percent from last year, to 50,189 acres, marking the ninth consecutive decline and less than half the acres reported as recently as 2002. Specialty fruit (tangerine and tangelo) acres dropped 9 percent to 20,430 acres, the eighth consecutive decline and also less than half the number reported in 2002.

Record-Breaking Walnut Crop Forecasted

The 2010 walnut harvest in California has the potential to produce 510,000 tons, representing an increase of 17 percent over 2009's production of 437,000 tons (fig. 6). If realized, this will be the largest California walnut crop on record. Beneficial weather has aided in developing a large crop due to adequate chilling hours, mild summer temperatures, and above average rainfall. Bearing acreage in 2009 increased to 227,000 acres, a 2-percent increase over 2008's acreage of 223,000 acres. Yields per acre declined slightly in 2009 to 1.93 tons per acre, from 1.96 tons per acre in 2008. If 2010 acreage remains at 227,000 acres then yield per acre will be 2.25 tons, a 16 percent increase over last year.

Most U.S. inshell walnuts go to international markets while shelled walnuts remain in the domestic market. Turkey is the largest export market for U.S. inshell walnuts this season with shipments from September 2009 through July 2010 totaling 55 million pounds, a 60-percent increase for the same time period last year. Hong Kong is the second-largest market for inshell walnuts followed by Italy. China has increased its import shipments from the United States substantially this season, from 8 million pounds in 2009 to 15.7 million pounds.

Shelled walnut shipments to Japan through July of this marketing season have increased to 23 million pounds, up by 44 percent from the same period in 2009/10. South Korea is the second largest importer of California walnuts with 19 million pounds and Germany is third with 15 million pounds. Spain increased shelled shipments by 31 percent to 14 million pounds but decreased inshell shipment by 15 percent to 18 million pounds.

Figure 6
California walnut production and acreage, 2000-10



F = Forecast.

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

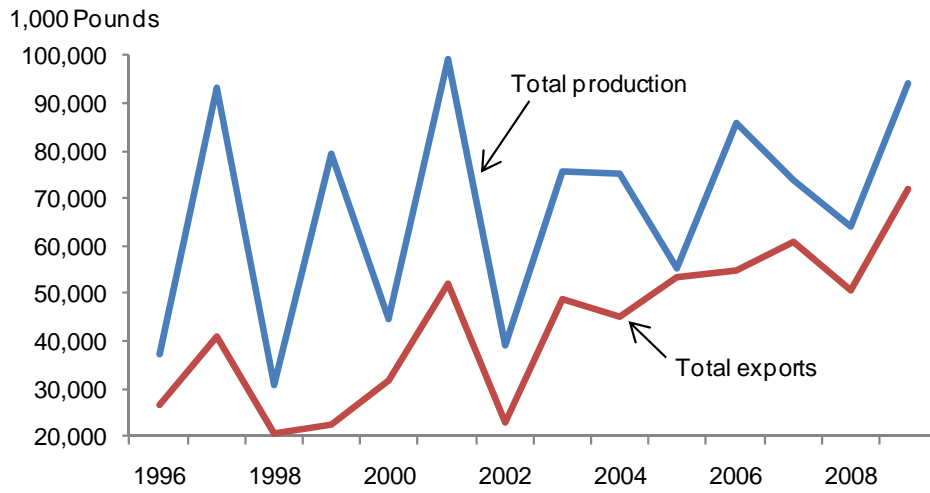
Hazelnut Forecast Lowest Since 2002

The Oregon NASS field office forecasted the 2010 hazelnut harvest at 27,000 tons. This is a 43-percent decline from last year's harvest of 47,000 tons. If realized, this would be the lowest harvest level since the 19,500 tons in 2002. The average harvest for an off-year since 1990 is 23,000 pounds, 16 percent lower than the off-year 2010 harvest. This season's crop has a high defective nut count, resulting in the lower yield. The percentage of good nuts was reported at 78 percent, which is a 20-year low.

According to USDA's Foreign Agricultural Service (FAS), Turkey had an off-year harvest for the 2009 season coupled with frost and pest damage, causing a reduced yield and lowering global hazelnut supplies by 32 percent. While Turkey had a poor harvest, the United States had a harvest of 94 million pounds and experienced increase shipments abroad by roughly 30 percent in 2009. The general export trend of hazelnuts fluctuates with on-year harvests in the United States and off-year harvest in Turkey and Europe, so multiple countries significantly increased imports of U.S. hazelnuts for the 2009/10 season (fig. 7).

Hong Kong was the largest importer of U.S. inshell hazelnuts from July 2009 until June 2010, with 39 million pounds, representing 54 percent of the 72 million pounds total U.S. hazelnut exports. Vietnam followed, at 12 million pounds, to be the second-largest importer. Due to low Turkish supplies, Canada has increased shipments of U.S. inshell hazelnuts by 115 percent since last season for the same time period, from 1.7 million pounds to 3.6 million pounds. Canada remained the largest importer of U.S. shelled hazelnuts with 926,000 pounds, followed by Vietnam with 549,000 pounds. Germany was the third-largest, at 394,000 pounds.

Figure 7
Total U. S. hazelnut production and exports, 1996-2009



Sources: USDA, National Agriculture Statistics Service, *Crop Production*, various issues; Bureau of Census, U.S. Department of Commerce

Fruit and Tree Nuts Trade Outlook

Exports Down for Fresh Cherries and Grapes, Up for Peaches and Strawberries

An improving global economic situation should be aiding the demand for U.S. fresh cherries in international markets this year. However, a combination of a smaller domestic crop and delays in crop growth, attributed to the cold and wet weather this spring for both, have pushed U.S. fresh-cherry export volume through July of this year down 11 percent from the same period a year ago, and will likely continue to influence the industry's overall export performance in 2010 (table 10). Exports continued to show gains to key markets such as Japan, Hong Kong, and South Korea and to China—a growing market. These gains, however, were more than offset by losses to Canada, the No.1 market for U.S. cherry exports, as well as to Taiwan and the United Kingdom, also key markets.

U.S. fresh-grape exports through July of the 2010/11 season are also down, hampered similarly by harvest delays and lower production. Export volume from May through July declined 9 percent from the same time last year, falling to most of the United States' top international markets for fresh grapes. Lower availability will likely continue to slow exports for this season. Also, Mexico's 20-percent import tariff on U.S. fresh grapes—although down from the previous 45-percent tariff—will likely continue to discourage increased U.S. grape exports to that market unless the U.S.-Mexico trucking dispute gets resolved.

On the positive end, U.S. exports of fresh peaches (includes nectarines) and strawberries are posting gains for this season compared to last. January through July export volume for peaches increased 5 percent and for strawberries was up 8 percent. A bigger U.S. freestone peach crop and a larger-than-expected domestic

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

Commodity	Marketing season	Season-to-date (through July)		Year-to-date change
		2009	2010	
		----- 1,000 pounds -----		Percent
Fresh-market:				
Oranges	November-October	1,041,868	1,400,299	34.4
Grapefruit	September-August	539,536	529,651	-1.8
Lemons	August-July	199,931	198,955	-0.5
Apples	August-July	1,767,566	1,694,229	-4.1
Grapes	May-April	65,948	59,731	-9.4
Pears	July-June	12,290	8,675	-29.4
Peaches (including nectarines)	January-December	107,350	112,565	4.9
Strawberries	January-December	184,245	198,742	7.9
Cherries	January-December	128,459	114,552	-10.8
		----- 1,000 sse gallons 1/ -----		
Processed:				
Orange juice, frozen concentrate	October-September	49,889	72,008	44.3
Orange juice, not-from-concentrate	October-September	54,245	51,766	-4.6
Grapefruit juice	October-September	13,648	9,403	-31.1
Apple juice and cider	August-July	8,043	15,546	93.3
Wine	January-December	57,032	61,813	8.4
		----- 1,000 pounds -----		
Raisins	August-July	318,115	370,964	16.6
Canned pears	June-May	2,009	3,168	57.6
Canned peaches	June-May	5,386	4,770	-11.4
Frozen straw berries	January-December	17,824	16,920	-5.1
		----- 1,000 pounds -----		
Tree nuts:				
Almonds (shelled basis)	August-July	1,092,971	1,157,729	5.9
Walnuts (shelled basis)	September-August	207,706	227,879	9.7
Pecans (shelled basis)	October-September	42,613	63,262	48.5
Pistachios (shelled basis)	September-August	106,367	105,282	-1.0

1/ Single-strength equivalent.

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

strawberry harvest have increased exportable supplies. While season-to-date peach exports were flat to the industry's leading export market—Canada—exports to most other top markets were up. For the same period, strawberry export volume increases to key markets, Canada and Japan, along with bigger gains to several smaller markets, exceeded significant declines to date to Mexico, Hong Kong, and the United Kingdom—also top markets for U.S. strawberry exports.

Orange Imports Up, Lemons Flat in 2009/10

Despite a bigger harvest of California oranges in 2009/10, U.S. demand for fresh orange imports is up this marketing season. Fresh-orange imports rose 17 percent between 2008/09 and 2009/10, November through July (table 11). Much of the increase came from Mexico whose shipments to the United States comprised half of total import volume to date. Imports from South Africa and Australia, traditionally the two leading sources, were flat to moderately lower but were yet to get to their peak period for shipping. Imports from Chile, Italy, and Peru, although well below those from the top three sources, showed significant jumps, with combined volume to date accounting for 10 percent of the total.

The 2009/10 U.S. lemon season (August-July) finished with imports almost matching last year's volume at 92.3 million pounds, up only by a fraction. Mexico remains as the top supplier of imported lemons in the United States, after surpassing Chile in ranking in 2007/08, with record shipments to this market of 94.6 million pounds. Mexican lemons made up nearly 60 percent of all imported lemons in the U.S. market in 2009/10. In light of the heavy penetration of Mexican lemons in the

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

Commodity	Marketing season	Season-to-date (through July)		Year-to-date change
		2009	2010	
		----- 1,000 pounds -----		Percent
Fresh-market:				
Oranges	November-October	76,443	89,466	17.0
Tangerines (including clementines)	October-September	246,799	226,149	-8.4
Lemons	August-July	91,914	92,353	0.5
Limes	January-December	458,707	452,143	-1.4
Apples	August-July	363,771	401,813	10.5
Grapes	May-April	255,372	352,791	38.1
Pears	July-June	2,464	3,152	28.0
Peaches (including nectarines)	January-December	100,478	96,636	-3.8
Bananas	January-December	4,853,624	5,400,142	11.3
Mangoes	January-December	467,508	512,152	9.5
		----- 1,000 sse gallons 1/ -----		
Processed:				
Orange juice, frozen concentrate	October-September	202,381	235,838	16.5
Apple juice and cider	August-July	534,774	541,128	1.2
Wine	January-December	139,451	140,144	0.5
		----- 1,000 pounds -----		
Canned pears	June-May	9,418	11,733	24.6
Canned peaches (including nectarines)	June-May	19,401	28,313	45.9
Canned pineapple	January-December	432,792	385,034	-11.0
Frozen straw berries	January-December	143,846	149,767	4.1
		----- 1,000 pounds -----		
Tree nuts:				
Brazil nuts (shelled basis)	January-December	13,727	13,416	-2.3
Cashew s (shelled basis)	January-December	152,351	154,925	1.7
Pine nuts (shelled basis)	January-December	3,685	1,741	-52.8
Pecans (shelled basis)	October-September	55,564	76,789	38.2

1/ Single-strength equivalent.

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

U.S. market, Spanish lemons also have lost market share in the United States in recent years. Though imports from Mexico rose sharply from the previous season in 2009/10, volume is down from their record shipments to the United States in 2007/08. Imports from both Chile and Spain were down substantially in 2009/10.

Contacts and Links

Contact Information

Agnes Perez (Noncitrus and tropical fruit), (202) 694-5255, acperez@ers.usda.gov
Erik Dohlman (Citrus fruit), (202) 694-5308, edohlman@ers.usda.gov
Kristy Plattner (Tree nuts), (202) 694-5190, kplattner@ers.usda.gov

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