Tree Nut Situation and Updates for Selected Countries

For 2002, the U.S. tree nut industry has increased production by 9 percent to 1.28 million metric tons (in-shell basis). According to the National Agricultural Statistics Service (NASS), the 2002 U.S. value of utilized nut production is estimated at $1.91 billion, up 26 percent from 2001. U.S. exports of shelled almonds increased 25 percent in value, boosting overall U.S. exports to their second highest level in recent history, at $1.15 billion. Pistachio and shelled walnut exports also rose 12 percent and 7 percent, respectively. Exports of in-shell hazelnuts rose 3 percent. The leading tree nut market for U.S. exports was Spain at $136 million, followed by Germany at $130 million, and Japan with $130 million.

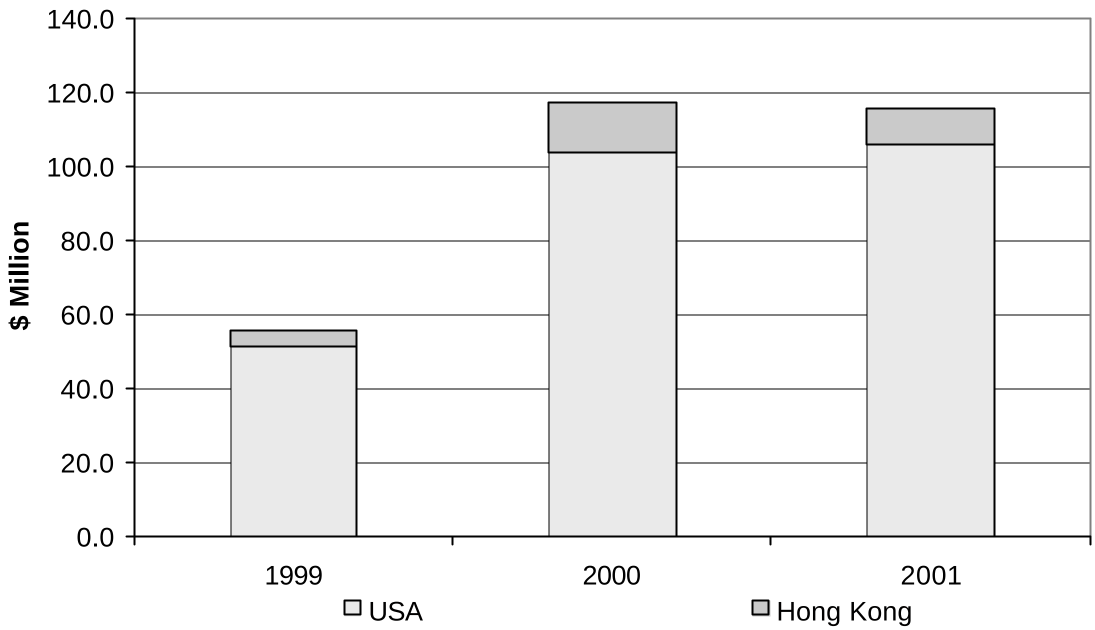
Almonds

Overview of Global Production and Trade

Almond production in select countries for MY 2002/03 is estimated to be 585,000 metric tons, up 22 percent, boosted by a record crop in California. Production in Spain and Turkey rose 21 and 7 percent, respectively while Italian production fell by 50 percent. Exports have correspondingly been forecast to reach 346,000 tons.

The United States accounts for nearly 89 percent of global shelled almonds exports. However, this figure understates the role of the United States as the preeminent supplier of almonds. Although Hong Kong accounts for 10 percent of global shelled almond exports, Hong Kong does not produce almonds, but imports 98 percent of its in-shell and 90 percent of its shelled almonds from the United States.

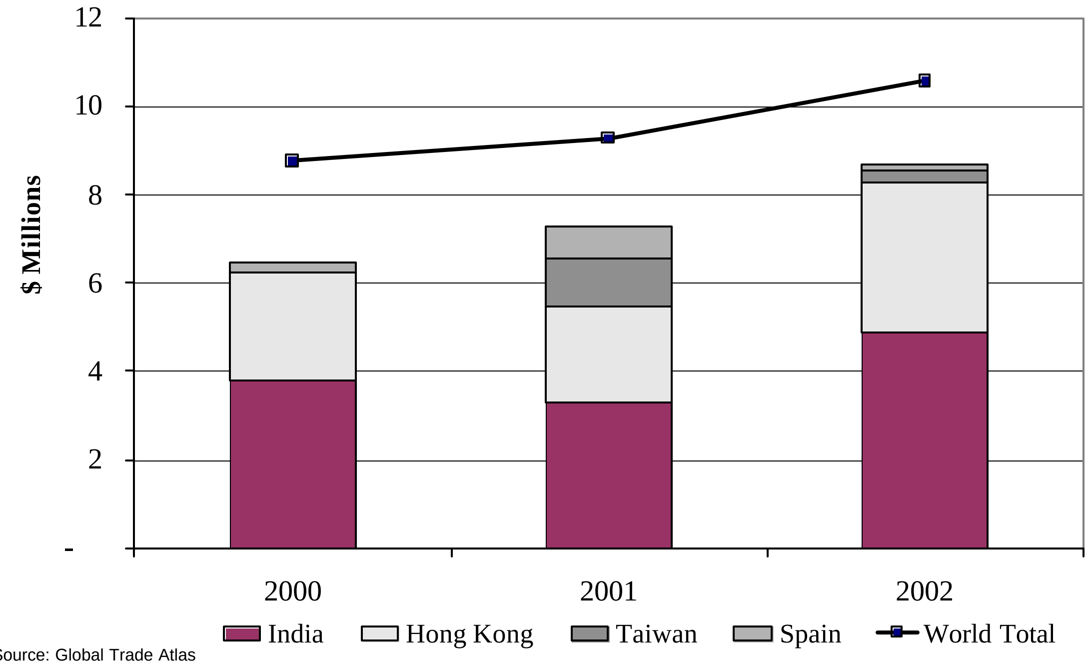
Major Exporters of Shelled Almonds



Source: Global Trade Atlas

The in-shell almond market has become increasingly important, especially in Asian countries. For Hong Kong and some other countries, many of the imports are for further reprocessing or transshipments. For India and some other countries, the perception that hand-shelling results in a better quality nut has contributed to the rapid expansion of the inshell almond market. The Spanish import market has been very erratic, depending on domestic production.

Leading Importers of Inshell Almonds



Source: Global Trade Atlas

United States

The bearing acreage was up 5,000 acres for a total of 530,000 acres in 2002. Nearly ideal weather for the bloom and pollination periods led to a 21-percent increase in the average nut set per tree to 8,100 for 2002. There was some damage resulting from the March freeze in Colusa, Glenn, and Yolo counties, but warmer temperatures in May and June kept the crop development at a near normal pace.

U.S. almond production has surpassed the record 1-billion pound mark (480,810 metric tons). Despite expectations that the record supply of almonds would drive down grower prices, grower prices increased 11 percent to $1.01 per pound, due to increased exports. The industry is extremely dependent upon exports, with over 70 percent of the annual production sold in foreign markets.

Official data based on objective estimates for MY 2003/04 are not yet available. Given the cyclical bearing nature of almonds, a decline in the 2003 harvest is anticipated.

Competitor Countries

Spain

Spanish almond production for 2002/03 is estimated at 68,000 tons, and is forecast to decline to 58,000 tons in 2003/04. In January through November 2002, Spanish exports of shelled and in-shell almonds were over $180 million, an increase of 29 percent over the previous year. The bulk of Spanish shipments are traded within the EUROPEAN UNION (EU). Over 36 percent of exports went to Germany, 16 percent to France, and 14 percent to Italy. For the same period, Spanish imports increased over 27 percent from the previous year to reach $102 million. California almonds have 90 percent of the Spanish market.

The EU has proposed a new subsidy scheme of 100 euros/hectare. However, growers say that is not enough, given the increased production costs and lower market prices. EU member countries are allowed to add another 109 euros/hectare, but the sum of the two measures would still be less than that granted under previous support programs.

Hazelnuts

Overview of Global Production and Trade

A 14-percent decline in Turkish hazelnut production has caused a 13-percent decline in the aggregate supply of selected countries. Production in the United States has fallen 64 percent to an estimated 16,330 tons. Global ending stocks are expected to be lower at the end of MY 2002/03 due to lower harvests and Turkey's attempt to reduce stocks.

In 2001, the United States exported $23.3 million of in-shell hazelnuts, accounting for 53 percent of global trade. Global trade statistics have not been compiled for 2002, but U.S. exports of $23.7 million will most likely ensure continued U.S. dominance in this market. For 2001, Turkey accounted for 85 percent of global exports in shelled hazelnuts. The United States accounted for less than 1 percent of global shelled hazelnut exports in 2001. The United States exported only $1.7 million of shelled hazelnuts, a decline of 52 percent.

United States

Hazelnut production in Oregon is forecast to be 18,000 tons this year, according to the Oregon Agricultural Statistics Service (OASS). This would be a 64-percent drop from 2002, 19 percent lower than 2000, and the lowest crop since 1998. Given the alternate bearing cycle of hazelnuts, the crop can be expected to decrease after last year's record high crop. The weather since January has been favorable for the crop development, but Eastern Filbert Blight continues to be problematic in infected orchards. The harvest is expected to begin in mid-September.

Competitor Countries

Spain

Spanish production of hazelnuts is expected to decrease by 4,000 tons to 22,000 tons in 2002/03. This decline is forecast to continue in 2003/04, with an expected harvest of 20,000 tons. Domestic consumption of hazelnuts has increased 4 percent to 23,000 tons. The rising consumption and falling production have increased imports by over 60 percent to 14,000 tons. The United States is the leading supplier of in-shell hazelnuts, with 65 percent of the in-shell imports. Not surprisingly, Turkey is the leading supplier of shelled hazelnuts, with 95 percent of the import market.

Turkey

Turkey is the world's leading producer and exporter of hazelnuts. For MY 2002/03 the production is estimated at 625,000 tons. The crop quality improved over the previous year's crop and has a larger percentage of bigger nuts. For MY 2003, the weather and conditions have been conducive to an average hazelnut crop.

FISKOBIRLIK, the Union of Hazelnut Cooperatives, no longer receives money from the Government of Turkey to purchase hazelnuts. The price was lower than in preceding years, as was the total purchase (only 8 percent of the harvest). The IMF would like Turkey to reduce its support for hazelnut growers in order to meet budgetary targets. However, the Government announced procurement prices a month and a half before the elections, in an effort to garner votes. After the elections, hazelnuts were disappearing from the market in expectation of higher prices. Most now believe that the higher prices will not be realized and more hazelnuts are coming into the market.

Fewer shipments were rejected due to aflatoxin than in previous years. The large supply, low procurement prices and the weakening Turkish lira have boosted Turkish exports in the first part of MY 2002/03. Exports are forecast to reach 480,000 tons, a rise from last year's exports. All the exports for MY 2002/03 are by private traders, as FISKOBIRLIK did not export this year. The low prices are expected to stabilize due to the large carryovers from previous harvests.

Walnuts

Overview of Global Production and Trade

For 2001, the United States was the leading exporter of in-shell and shelled walnuts, accounting for 54 percent and 47 percent of global trade, respectively. The global export figures for 2002 are not available, but preliminary data indicates that U.S. dominance in global exports will continue. For 2001, China was the second largest exporter of shelled walnuts, accounting for 13 percent of global exports. For the same year, France was the second largest exporter of in-shell walnuts with 20 percent of global shipments.

United States

The 2002 California walnut production is 249,000 tons, down 11 percent from the 2001 crop. Bearing acreage is estimated to be 200,000 acres. The nut set was report to be down 9 percent at 1,572 per tree. The San Joaquin Valley set is 1,142, down 23 percent from last year; the coastal area set is 1,254, up 34 percent from 2001, and the Sacramento Valley set is 1,982, down 2 percent from last year. The percentage of sound kernels in-shell was 96.3 percent statewide.

Competitor Countries

Chile

The Chilean walnut industry is well established and expanding production and planted area. It is in the process of modernizing production technology and tree varieties. New plantings are offsetting the conversion of older orchards for residential and commercial purposes. The prices obtained by walnut producers and the declines of value in alternative tree crops have also caused the area planted for walnuts to increase. These new orchards are often planted with improved-yield varieties. In 1982/83, the yield per hectare was 1.2 metric tons; in 2007/08 it is projected to be 1.8 metric tons per hectare.

However, there are several factors that will impact the competitiveness of the Chilean walnut industry. While all of the orchards are irrigated, only 60 percent are irrigated by modern systems. This may be a crucial production constraint as water availability declines in certain areas. Increasing labor costs have driven producers to adopt mechanized production methods. This move will reduce Chile's competitiveness in the market for high-value hand-cracked walnuts.

Orchard demographics have influenced the overall quality of the Chilean product. The large number of walnut varieties sprinkled through out the country has created logistical difficulties in the harvest and maintenance schedules. Given the non-uniform ripening of many varieties, the harvest period is long and complicated, with greater risk of mold formation on the nuts.

The industry is heavily export-driven, as roughly 85 percent of the domestic supply (minus imports) is shipped to foreign consumers. Domestic consumption is primarily a function of the export market; if the export market is poor, domestic consumption rises due to the availability and low cost of walnuts. The increased walnut production is expected to boost exports in the future. Chile does have a small import market for high quality walnuts, most of which come from the United States.

Although Chile will have zero tariffs with its two most important walnut markets, the EU and MERCOSUR (Argentina, Brazil, Paraguay, and Uruguay), a large increase in exports is not expected to materialize. Exports to the EU are more dependent upon the size of the U.S. crop and competition from these exports. The economies of Brazil and Argentina have a greater impact on Chilean exports to these countries than do tariffs.

France
France is the largest producer of walnuts in Europe, with production of 29,000 tons in MY 2002. Production is up due to increases in the Grenoble area from 2001 levels. France is a net exporter of walnuts with most exports going to European countries. Most of the French exports are of in-shell walnuts. Conversely, most of the French imports are of shelled walnuts, mostly from Moldova, India, and Hungary.

The market for high-end walnuts is mainly dominated by domestic production. The French food processing industry offers the best market potential for U.S. walnuts is in shelled nuts and pieces. The rise in popularity of walnuts as a snack also presents an opportunity for U.S. walnuts in consumer serving-size packages.

(For more information on production and trade, contact Kyle Cunningham at 202-720-0875. For information on marketing, contact Ingrid Mohn at 202-720-5330. Also, please visit the tree nuts commodity page: http://www.fas.usda.gov/htp/horticulture/nuts.html for the latest information on almonds, walnuts, pistachios, hazelnuts, pecans, and macadamia nuts.)

Almonds: Production, Supply, and Distribution in Selected Countries

Country/ Marketing Year 1/	Beginning Stocks	Production	Imports	Total Supply	Domestic Consumption	Exports	Ending Stocks
	Metric tons, Shelled Basis						
Greece							
2000/2001	5,123	15,500	2,500	23,123	16,000	1,000	6,123
2001/2002	6,123	13,000	2,500	21,623	17,000	1,200	3,423
2002/2003 F	3,423	11,500	3,500	18,423	16,400	700	1,323
2003/2004 F	1,323	13,000	3,650	17,973	16,250	800	923
India							
2000/2001	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2001/2002	5,100	1,000	25,700	31,800	26,000	-	5,800
2002/2003 F	5,800	1,100	27,000	33,900	27,500	-	6,400
2003/2004 F	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Italy							
2000/2001	2,000	10,000	16,000	28,000	24,800	2,200	1,000
2001/2002	1,000	18,000	15,000	34,000	25,000	3,000	6,000
2002/2003 F	6,000	9,000	17,000	32,000	28,000	2,000	2,000
2003/2004 F	2,000	15,000	15,000	32,000	28,000	2,000	2,000
Spain							
2000/2001	5,000	53,000	32,000	90,000	38,500	51,000	500
2001/2002	500	57,000	42,000	99,500	48,500	50,500	500
2002/2003 F	500	68,000	45,000	113,500	51,000	56,500	6,000
2003/2004 F	6,000	58,000	45,000	109,000	50,000	55,000	4,000
Turkey							
2000/2001	2,000	15,500	2,500	20,000	16,500	500	3,000
2001/2002	3,000	14,000	1,500	18,500	16,000	500	2,000
2002/2003 F	2,000	15,000	1,500	18,500	16,000	500	2,000
2003/2004 F	2,000	15,000	2,000	19,000	16,500	500	2,000
United States							
2000/2001	79,765	303,700	28	383,493	95,020	239,802	48,671
2001/2002	48,671	376,488	80	425,239	113,076	279,463	32,700
2002/2003 F	32,700	480,810	59	513,569	116,132	286,932	110,505
Total							
2000/2001	93,888	397,700	53,028	544,616	190,820	294,502	59,294
2001/2002	64,394	479,488	86,780	630,662	245,576	334,663	50,423
2002/2003 F	50,423	585,410	94,059	729,892	255,032	346,632	128,228
2003/2004 F	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1/ Marketing Years: August-July for the United States; September – August for Spain, Italy and Turkey; October-September for Greece

F = Forecast

Source: U.S. Agricultural Reports, Bureau of the Census, NASS/USDA

Hazelnuts: Production, Supply, and Distribution in Selected Countries

Country/ Marketing Year 1/	Beginning Stocks	Production	Imports	Total Supply	Domestic Consumption	Exports	Ending Stocks
				Metric tons, in-shell basis			
Italy							
2000/2001	2,000	83,000	56,000	141,000	106,000	33,000	2,000
2001/2002	2,000	130,000	60,000	192,000	137,000	40,000	15,000
2002/2003 F	15,000	110,000	50,000	175,000	135,000	35,000	5,000
2003/2004 F	5,000	130,000	50,000	185,000	135,000	35,000	15,000
Spain							
2000/2001	3,500	16,000	11,000	30,500	17,000	12,000	1,500
2001/2002	1,500	26,000	14,000	41,500	22,000	7,500	12,000
2002/2003 F	12,000	22,000	10,000	44,000	23,000	12,000	9,000
2003/2004 F	9,000	20,000	11,000	40,000	23,000	12,000	5,000
Turkey							
2000/2001	300,000	490,000	-	790,000	183,657	406,343	200,000
2001/2002	200,000	725,000	3,000	928,000	183,000	510,000	235,000
2002/2003 F	235,000	625,000	-	860,000	180,000	480,000	200,000
2003/2004 F	200,000	625,000	-	825,000	175,000	480,000	170,000
United States							
2000/2001	4,103	22,680	9,885	36,668	18,669	15,999	2,000
2001/2002	2,000	44,816	5,411	52,227	22,477	28,750	1,000
2002/2003 F	1,000	16,330	12,550	29,880	18,450	11,320	110
Total							
2000/2001	309,603	611,680	76,885	998,168	325,326	467,342	205,500
2001/2002	205,500	925,816	82,411	1,213,727	364,477	586,250	263,000
2002/2003 F	263,000	773,330	72,550	1,108,880	356,450	538,320	214,110
2003/2004	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1/ Marketing Years: July-August for the United States; September-August for Spain, Italy, and Turkey
F = Forecast
Source: U.S. Agricultural Reports, Bureau of the Census, NASS/USDA

Walnuts: Production, Supply, and Distribution in Selected Countries

Country/ Marketing Year 1/	Beginning Stocks	Production	Imports	Total Supply	Domestic Consumption	Exports	Ending Stocks
				Metric tons, in-shell basis			
Chile							
2000/2001	900	11800	284	12984	1400	11445	139
2001/2002	139	12400	141	12680	1850	10570	260
2002/2003 F	260	12500	150	12910	1770	11000	140
China; Peoples Republic of							
2000/2001	0	310000	409	310409	285627	24782	0
2001/2002	0	279000	900	279900	262900	17000	0
2002/2003 F	0	320000	500	320500	295500	25000	0
France							
2000/2001	0	25600	13300	38900	15900	23000	0
2001/2002	0	27810	13000	40810	18810	22000	0
2002/2003 F	0	30000	12000	42000	19000	23000	0
2003/2004 F	0	30000	12000	42000	19000	23000	0
India							
2000/2001	10000	31000	0	41000	17950	16500	6550
2001/2002	6550	29000	0	35550	15000	16000	4550
2002/2003 F	4550	32000	0	36550	16000	17000	3550
2003/2004 F	3550	30000	0	33550	16000	15000	2550
Italy							
2000/2001	6000	16000	12000	34000	29500	1500	3000
2001/2002	3000	13000	18500	34500	32400	1100	1000
2002/2003	1000	15000	17000	33000	31000	1000	1000
2003/2004 F	1000	13000	19000	33000	31000	1000	1000
Turkey							
2000/2001	9000	69000	8000	86000	75500	500	10000
2001/2002	10000	68000	6000	84000	74500	500	9000
2002/2003 F	9000	68000	6000	83000	74500	500	8000
2003/2004 F	8000	69000	6000	83000	74500	500	8000
United States							
2000/2001	66929	216817	235	283981	129693	97035	57253
2001/2002	57253	276696	150	334099	164724	87225	82150
2002/2003 F	82150	249480	150	331780	149885	104595	77300
Total							
2000/2001	92829	680217	34228	807274	555570	174762	76942
2001/2002	76942	705906	38691	821539	570184	154395	96960
2002/2003 F	96960	726980	35800	859740	587655	182095	89990
2003/2004	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1/ Marketing Years: March-February for Chile; August-July for the United States; September-August for Turkey and India

F = Forecast

Source: U.S. Agricultural Reports, Bureau of the Census, NASS/USDA