

## Canned Peach Situation In Selected Countries

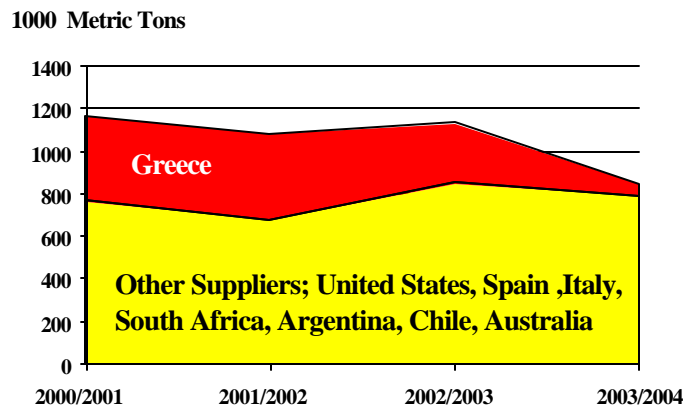
**The forecast for the 2003/04 marketing year puts world canned peach production at 858,000 tons, down 24 percent, world exports at 351,000 tons, down 39 percent, and ending stocks at 79,000 tons, down 46 percent. Production of canned peaches for the Northern Hemisphere for 2003/04 is forecast to be down 30 percent to total 611,273 tons and exports are forecast to be down by 51 percent, to total 212,000 tons. Long range forecasts for the Southern Hemisphere place production at 247,000 tons, down 3 percent from 2002/03, exports at 139,000 tons, down 2 percent and ending stocks at 7,500 tons, down 49 percent. Production of canned peaches in selected countries for marketing year 2002/03 is estimated at 1.13 million tons, up 5 percent from the previous year. World exports for the selected countries for 2002/03 are estimated at 571,663 tons, down 17 percent from the preceding year.**

### Regional and Country Highlights

World supplies of canned peaches will be significantly below normal well into August of 2004 and possibly through the entire 2004/05 marketing year. The 2003/04 marketing year will bring forth reduced exports, higher prices, and lower stocks.

Market fundamentals have turned to benefit other world producers. This year, Greek production was almost completely destroyed by severe frost, resulting in higher prices and making room for other producers to export throughout the world.

Leading World Canned Peach Producers



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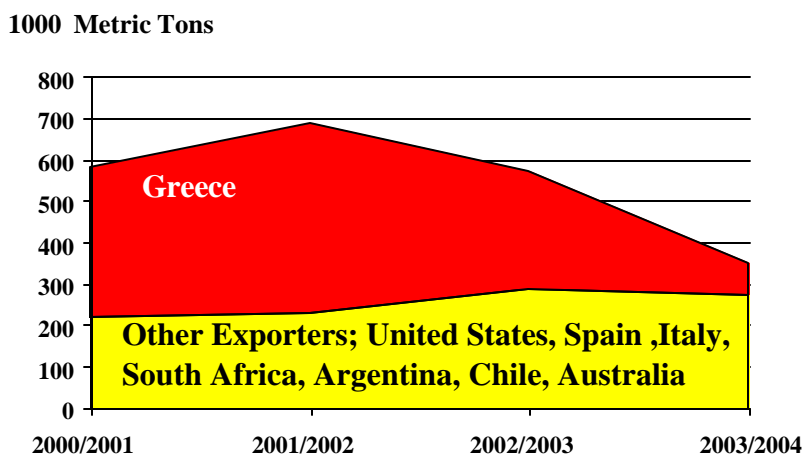
For the past two years Greek peach production suffered setbacks due to freezing temperatures during the bloom. Last year production was down 30 percent from a high of 407,000 tons and this year production is

down 82 percent to total only 52,000 tons (canned net weight). This year Greek exports are forecast to be only 77,000 tons, equaling only 17 percent of the quantity exported in 2001/02.

However, Greece is not the only Northern Hemisphere country to have reduced production of canned peaches in 2003/04. Forecast United States production is off 5 percent to total 380,273 tons, and Spain's production is forecast to be down by 8 percent to 154,000 tons. At the same time 2002/03 production in the Southern Hemisphere (South Africa, Chile, Australia and Argentina), which normally accounts for about 20 percent of the world's commercial supply of canned peaches, is estimated to be up 25 percent. Estimated 2002/03 production is up in nearly every Southern Hemisphere country. Argentina's production is up 43 percent to an estimated 67,000 tons. For the first time, Argentina is expected to be a major exporter, with shipments estimated around 20,000 tons. The abundant Argentine supplies together with the attractive exchange rate will make Argentine product competitive in many markets. Australian production is up 8 percent to 43,990 tons, Chilean production is up 17 percent to 45,500 tons, and South African

production is very high, estimated at nearly 98,000 tons.

### Leading World Canned Peach Exporters



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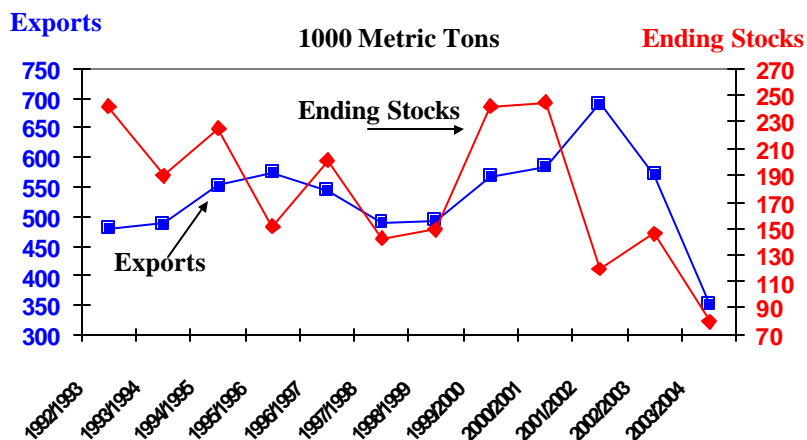
Although Southern Hemisphere supplies are exported throughout the year in fairly even quantities, the new crop enters the market during the last half of marketing year, prior to the entry of the larger Northern Hemisphere crop. This means that a significant portion of Southern Hemisphere supplies have already

entered the market and that supplies in the coming fall and winter may be shorter than anticipated.

Normally the European Union (EU) accounts for over 50 percent of total world imports of canned peaches. About 95 percent of these imports originate from other EU countries. The reduced Greek crop will mean both EU and other importing countries will pay higher prices for canned peaches.

Although exports will be down, the situation will allow other producers to work off stocks and receive more reasonable prices.

## World Canned Peach Exports and Ending Stocks



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2001/02 marketing year in the Southern Hemisphere, Greece and the United States. Greek exports for that year remained strong due to record-breaking production for three consecutive years beginning in 1999/2000. As a result, Greece carried over 102,000 tons and 121,000 tons for 2000/01 and 2002/02, respectively. Greece was able to export these surpluses due to the shortages by the other supplying countries and due to an extraordinarily favorable exchange rate. World ending stocks rose in 2002/03, due to an increase in U.S. carryover. The long range forecast put ending stocks for 2003/04 at a record low of 79,000 tons.

### Greece

Greece's processed peach sector faces a serious shortage of raw materials for its 2003 crop. Almost 90 percent of the total Greek peach production was destroyed in April during the blooming stage. The Greek Ministry of Agriculture estimates that up to 700,000 tons of clingstone and freestone peaches were destroyed by severe frost in the major growing areas of Pella, Imathia, Kozani and Larissa. The total freestone production is estimated to reach 70,000 tons, while only 40,000 to 70,000 tons of clingstone peaches are anticipated to be produced. This poor production is not enough to meet domestic fresh consumption needs. Furthermore, the limited supply of carry over stocks from the previous year has exacerbated the situation. As a result, prices have risen dramatically, particularly for freestone peaches. Current prices for freestones are reported to be as high as 3.0 euros/kg compared to 1.20- 1.60 euros/kg for the same period last year. A supply shortage is also pushing up prices for fresh and processed nectarines and apricots.

The capacity of Spain's peach industry is not enough to cover Greece's production shortfall, and it likely

Because Greece chronically over supplies the market, world stocks have tended to rise over time, reaching a high point of 244,166 tons in 2002/01. Last year ending stocks hit the lowest level in recent history, totaling only 120,000 tons before bouncing back to 146,700 tons in 2002/03. The reasons for this dip were low production in the

that EU member countries will be purchasing larger volumes of imported canned peaches in 2003/04 from countries such as the United States and South Africa.

The current situation will not only affect farmers and processors, but related industries such as transportation, paper and plastic companies, and exporting firms. One of the most profitable companies in Greece's processed fruits sector, Pavlides S.A., has decided to shut down one of two plants as a result of the crisis. Furthermore, the company has decided to enter into a partnership with an Argentinean company to obtain badly-needed capital and prevent its staff from losing their jobs. Other Greek processing plants have not been so fortunate and were forced to dismiss many of their permanent staff.

The crisis is beginning to take a toll socially, as unemployment numbers have risen rapidly. According to the President of the Greek Cannery Association, if the crisis continues, over 850 employees in Pella and Imathia could lose their jobs. Greek peach farmers have been promised an estimated 170 million euros in government assistance to deal with the current crisis.

The processing sector is depending on government assistance to survive. The industry has asked the government for a grace period to pay back its bank loans and also requested investment incentives to ensure future viability. The sector has also requested that payment of the 2002 value added tax be postponed and revenues collected be used for 2003/2004 export subsidies. Worsening the dilemma for the processors is the appreciation of the euro against the U.S. dollar

The aforementioned factors have increased the pressure on the Greek government to take immediate action to deal with the current crisis. As result, the government announced several measures to help the Greek peach industry. These measures include:

- Postpone due dates for loan payments,
- Pay additional benefits to seasonal staff to supplement income,
- Form training and educational programs for permanent employees in processing plants, and
- Provide export assistance funds through the Hellenic Exports Promotion Organization.

***The FAS Attaché Report search engine contains reports on the Canned Deciduous Fruit. For information on production and trade, contact Robert Knapp at 202-720-4620.***