

## Briefs

## Specialty Crops

## Tree Nut Supply Bountiful

Tree nuts are in abundant supply this season. Record world supplies of almonds, walnuts, and hazelnuts—the three most important tree nuts in terms of global production and trade—are pushing total availability of tree nuts to all-time highs. U.S. crops of pecans, pistachios, and macadamia nuts, although not records, are also expected to be large.

Record production in 1999 will result in burdensome supplies for farmers worldwide, as carry-in stocks for the 1999/2000 season (July 1-June 30) were already above normal for many nut crops. Since many varieties of nuts can easily be substituted for each other, anticipated large crops and record supplies for all tree nuts in most major producing countries are keeping nut prices low overall. Carryover stocks at the end of the marketing season (summer 2000) also will likely be very high, making supply adequate going into next season.

The large tree nut supply this season will likely boost consumption and trade volume in the U.S. and abroad; it will also, however, depress grower prices. Low prices of domestically produced nuts that accompany the very large supply will probably induce U.S. importers to purchase larger volumes of nuts to use in mixed nut packs and other products that utilize nut varieties not grown in the U.S., such as cashews and Brazil nuts. While peanuts are not a tree nut, they are substitutable in some nut products, depending on relative prices.

In the U.S., almonds account for about 25 percent of total tree nut consumption, followed by pecans (22 percent), walnuts (17 percent), pistachios (8 percent), hazelnuts (3 percent), and all others, mostly cashews and Brazil nuts (25 percent). Almonds are a bargain compared with pecans and cashews, which are nearly triple the price at wholesale. Pistachios are nearly twice the price of almonds, while hazelnuts cost 40 percent more and walnuts 20 percent more.

Large *almond* production increases in the U.S. and in Spain, coupled with large stocks of U.S. almonds held in reserve, will push world supplies to record levels, 30 percent higher than last year. Harvest of almonds—which lead other nuts in world production and trade—is forecast at a record 488,000 metric tons, shelled basis, (about 813,000 metric tons, in-shell basis) in the five major producing countries this season. U.S. almonds—grown solely in California—account for about 77 percent of total world production. Spain is the second-largest producer (about 14 percent of production), and Italy, Greece, and Turkey account for most of the remainder. Behind the production increase, in addition to the crop's cyclical nature, are higher yields from good weather and continued increases in bearing acreage.

U.S. almond prices have fallen 33 percent since 1996. Increased output in the other producing countries has reinforced the downward trend in prices. Low nut prices, however, will encourage higher consumption as well as expand export demand. In the U.S. domestic market, the world's largest almond market, consumption is

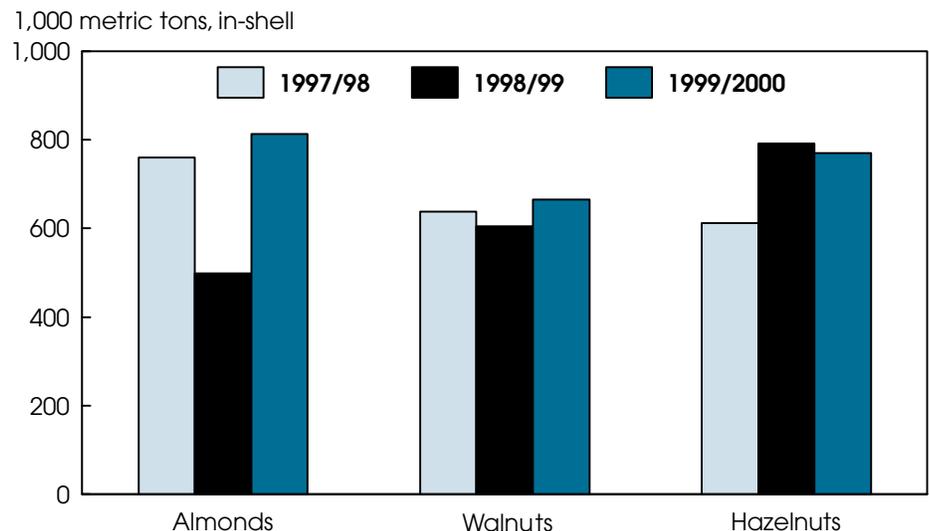
forecast to increase by 6 percent to 450 million pounds in 1999/2000.

Almonds are the top-value U.S. horticultural export, well above wine, the second most important horticultural export. Larger output, reduced prices, and a weakening U.S. dollar are forecast to boost U.S. almond exports 13 percent from last year. Typically, about two-thirds to three-fourths of the U.S. almond crop is exported, with a value exceeding three-quarters of a billion dollars in the last few years.

About two-thirds of U.S. almond exports goes to the European Union (EU)—primarily Germany, Spain, and the Netherlands—and about one-sixth is shipped to Asia—mostly Japan and China. Sales to Japan, currently the second-largest export market after the EU, are expected up 15 percent in 1999/2000, due primarily to increased demand by the chocolate and baking industries. Exports to China are forecast to nearly triple and perhaps surpass Japan, India to double, and Korea to grow by one-third.

Shelled almonds, including prepared and preserved, accounted for 97 percent of total U.S. almond exports in 1998/99. Asia is the largest importer of in-shell almonds, purchasing nearly 75 percent of U.S. in-shell exports.

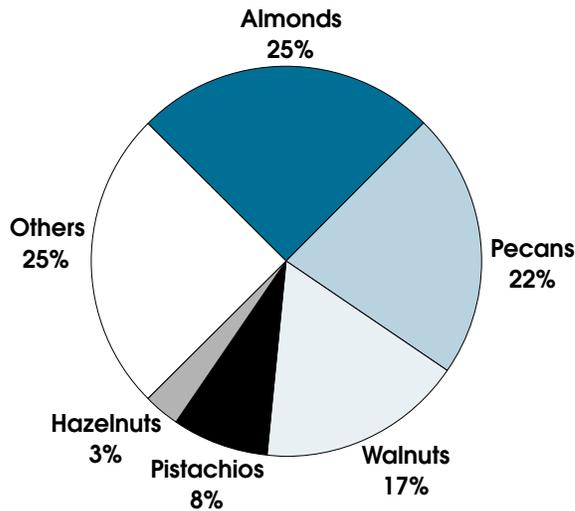
## Record-Large Global Almond and Walnut Crops Forecast for 1999/2000



Marketing years vary by country. 1998/99 estimate; 1999/2000 forecast.  
Economic Research Service, USDA

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## Almonds, Pecans, and Walnuts Top U.S. Tree Nut Consumption



Total consumption in 1998/99 = 611 million pounds. U.S. marketing year begins July 1 for almonds, hazelnuts, pecans, and others; August 1 for walnuts; and September 1 for pistachios.  
Economic Research Service, USDA

Developing new products to boost consumption in the U.S. and abroad is critical in selling this year's record crop and sustaining higher levels of use in the future as acreage and production climb. One new product is almond milk, a lactose- and cholesterol-free nondairy beverage fortified with calcium and vitamins. In cooperation with USDA's Market Access Program, the U.S. almond industry is marketing almond milk in Australia and New Zealand. Another industry effort was to organize consumer-oriented marketing campaigns—aimed at Germany, France, the United Kingdom, and Asia—promoting almonds as a healthy snack.

**Walnut** production in the six major producing countries is forecast to reach a record 665,000 metric tons, in-shell basis, for the 1999/2000 marketing season, up 10 percent from the previous season. China and the U.S. both expect record crops, and each will account for about 38-40 percent of world production. Acreage is fairly stable in the U.S., but is increasing in China. The higher production is mainly the result of weather-enhanced yields, stronger varieties, and a larger share of bearing age trees. U.S. exports—nearly half of domestic production—are expected to hit a record, and will total about 4 times the quantity exported by China.

Record world walnut output, coupled with a record world supply for all tree nuts, will likely decrease already low walnut prices. U.S. walnut prices have declined 36 percent since 1996. However, as with almonds, larger supplies and anticipated lower prices will spur world exports and consumption. In 1999/2000, world exports are forecast to increase 18 percent, and world consumption to rise 8 percent. Most of this growth is attributable to the U.S., which will continue to dominate markets in Europe. Exports from China are bound mainly for markets in the Far East and the Mideast, and are expected to remain unchanged, as strong domestic demand commands the largest share of production.

Working with the Market Access Program, the U.S. walnut industry is attempting to expand sales abroad beyond the traditional holiday season by promoting walnuts as a year-round healthy food in the home and by encouraging additional usage in restaurants and bakeries. The strategy is aimed mainly at the three largest markets for U.S. walnuts—Germany, Japan, and Spain—where U.S. exports in 1998/1999 dropped below the previous three seasons. Although U.S. exports are expected to reach a record high and domestic consumption is forecast up, carryover stocks at the end of the

1999/2000 marketing year will likely be at very high levels, keeping pressure on prices.

**Hazelnut** output in the four major producing countries is forecast to decrease a net 3 percent in 1999/2000 to 770,000 metric tons, in-shell basis. Marginal production decreases in Turkey and Italy—the world's two largest producers—more than offset significant increases in Spain and the U.S. Nevertheless, total world hazelnut supply is up 15 percent from last year, due mainly to substantially higher carryover stocks in Turkey.

In-shell use of tree nuts is very popular in the Mideast and Mediterranean regions, with hazelnuts preferred over almonds due to their ready availability and lower prices. Although relatively low hazelnut prices are expected to encourage consumption and increase trade, U.S. shippers will face increased international competition from the lower priced Turkish product. Hazelnut prices are also affected by prices of other tree nuts, particularly the less costly almonds and walnuts.

Hazelnut production in Turkey is so substantial in most years that it affects export prices of tree nuts worldwide. Turkey typically produces 70 percent of world hazelnut production and accounts for 80 percent of world trade. In the past few years, the Turkish government has tried unsuccessfully to implement incentive programs to shift acreage out of hazelnut production in order to reduce the persistent glut and raise grower prices. Yet high support prices in Turkey still continue to attract producers into the market, contributing to expanded hazelnut plantings and production.

While there are no EU direct price support program for tree nuts, the EU is taking steps to heighten the competitiveness of member countries' tree nut producers. The EU has implemented an improvement plan in Spain's hazelnut and almond sectors that provides a stipend to growers to plant improved, higher yielding varieties. EU producer organizations are concerned that this program may end in 2000. **AO**

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