

Briefs

August, and improving fall-winter grazing prospects, combined with already higher calf prices, could trigger strong heifer retention from the 2002 calf crop and herd expansion in 2004. This reduction in heifers available for the feeder-cattle supply would reduce beef supplies beginning in the second half of 2002, beyond the amount resulting from the expected downtrend in feedlot placements through fall 2001.

Normal rainfall and the resulting favorable pasture conditions for fall and winter grazing would also stabilize cow inventories and slow expected declines in beef pro-

duction beginning next year. Poor weather conditions in recent months and concerns for forage supplies this winter have led to sharply higher beef cow slaughter.

The market is entering a cyclical period when cattle feeders and stocker operators usually lose money as costs rise for purchases from this year's calf crop. At the same time, cow-calf producers usually turn a profit and, weather permitting, can begin to retain heifers for expansion.

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Some of the 2000 fresh-market storage apple stocks were diverted to the processing sector and other uses (such as the school lunch and domestic feeding programs). This and the expected smaller 2001 crop, particularly in Washington, will help ease any supply pressure in the 2001/02 (August-July) season. Fresh-market supplies in 2001/02 are anticipated to be below last year's and will likely result in higher prices, increased fresh apple imports, and reduced fresh apple exports. During 2000/01, fresh-market supplies were up 4 percent from the previous year, and the season-average farm price for fresh-market apples declined 16 percent to 17.9 cents per pound. Retail prices for Red Delicious apples mirrored the pattern in grower prices during 2000/01 and averaged 66.1 cents per pound, down 30 percent from the previous season.

U.S. production of apples for the processing sector in 2001 will also likely be limited. Many Eastern states, where a large proportion of production is used for processing, are expected to harvest smaller crops. In addition, although combined production in the Central and Eastern states is expected to be 2 percent higher than a year ago, the much smaller crop in Washington will likely bring overall production of processing apples down from last year. Washington accounts for over one-third of processing apple production.

Reduced supplies and lower stocks of processing apples will help boost grower prices for processing apples. However, stocks of 2000 fresh-market apples being diverted to the processing sector and other uses will likely mitigate some of the upward pressure on prices. Production of processing apples was down in 2000 from the year before, but large carryover stocks from the 1999/2000 season, along with increased imports of apple juice and cider, contributed to lower grower prices. The 2000/01 season-average grower price for processing apples was \$103 per ton, down 20 percent from the previous season.

Increased production in the fall of 2000 reduced imports of fresh apples during the 2000/01 season. U.S. imports from August 2000 through June 2001 totaled 301.5 million pounds, down 5 percent from the same period the year before. About 94 percent of this volume came from the three

Specialty Crops

2001 U.S. Apple Crop Smaller, Prices Likely to Rise

According to USDA forecasts, U.S. apple production in 2001 is 9.6 billion pounds, down 10 percent from a year ago and the smallest crop since 1988. Production is down both in the Western and Eastern regions (16 percent and 3 percent, respectively), offsetting increased production in the Central region (up 12 percent). Because of the smaller apple crop this year, and less competition from a smaller pear crop this fall, apple prices in 2001/02 will likely increase. Reduced supplies and higher prices will limit both domestic and export demand for U.S. apples, especially in the fresh-market sector. Domestic consumption of fresh apples is expected to decline from last year's estimate of 17.9 pounds per person.

All Western apple-producing states, except California, are expected to harvest smaller crops of apples this fall with the region producing a total of 5.9 billion pounds. Washington, which produces over half the nation's apples and is the largest producer for both the fresh and processing markets, is expected to produce only 4.9 billion pounds, down 17 percent from 2000.

Besides being in its "off" production year (Washington produced a near-record large crop in 2000), weather-related issues and a drop in bearing acres have contributed

to the state's anticipated smaller crop this fall. In addition to the stress on trees resulting from below-average rainfall during the spring, the combination of heavy winds and hail from a storm in June caused severe damage to orchards in the Yakima Valley. Hailstorms and unfavorable weather during bloom also reduced production in the Wenatchee area.

In California, the second-largest apple-producing state in the region, weather was generally favorable and was conducive to increased production. Meanwhile, decreased production in other Western states can be attributed partly to crop damage caused by hail, early-season frost, and late-season drought. Weather problems also affected apple production in many Eastern states, but generally favorable weather improved apple crops in most Central states except Ohio.

As of July 1, 2001, U.S. apple holdings as reported by the U.S. Apple Association totaled 21.3 million bushels, up 9 percent from the same time last year and 26 percent higher than the 5-year average. Fresh apple holdings (mostly Washington apples in controlled atmosphere storage) were up 16 percent, while total processing holdings were 8 percent lower.

largest suppliers of U.S. fresh-market apples. Among these top suppliers, imports were down 19 percent from Canada and 11 percent from New Zealand, but were up 23 percent from Chile.

During the same period, U.S. exports of fresh apples increased 44 percent to 1.6 billion pounds. Exports were up to all major markets, including Mexico, Taiwan, Canada, Hong Kong, Indonesia, and the United Kingdom.

U.S. imports of apple juice and cider from August 2000 through June 2001 totaled

286.1 million gallons, up 2 percent from the same period a year earlier. Although smaller volumes were shipped from large suppliers such as Argentina and Chile, imports were up sharply from China, Italy, Germany, Hungary, and New Zealand. During the same period, U.S. apple juice exports declined. At nearly 7 million gallons, exports were down 21 percent, reflecting reduced shipments to Japan and Canada, the two leading export markets. **AO**

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Specialty Crops

Tracking Wholesale Prices for Organic Produce

Organic agriculture is one of the fastest growing segments of the U.S. food sector. However, collection of data (e.g. on prices) for this component of U.S. agriculture has lagged the industry's growth.

Industry sources estimate that retail sales of organic products grew from \$847 million in 1991 to \$1.95 billion in 1996, reaching \$7.8 billion in 2000. Produce accounted for 42 percent of U.S. organic food sales in 2000, according to the market research firm Packaged Facts. Trailing produce were packaged groceries (15 percent), dairy products (11 percent), bulk and frozen foods (8 percent each), soy-based products (6 percent), beverages (5 percent), meat (3 percent), and snacks and candy (2 percent).

Limited data on acreage, retail sales, and farm and wholesale prices for organic products are available from USDA and private sources. For example, USDA's Agricultural Marketing Servicing (AMS) and Economic Research Service (ERS) have periodically collected and published data on certified organic acreage during the 1990s (AO April 2000).

For organic produce, AMS's Market News has occasionally included wholesale prices for organic items in its daily wholesale fruit and vegetable reports, which

cover terminal markets in 15 U.S. cities, including Atlanta, Dallas, and Seattle.

Organic produce prices first appeared in the Boston and Philadelphia *Wholesale Fruit and Vegetable Report* in 1992. Since then, Market News has occasionally reported organic prices in six other wholesale markets.

Reported prices reflect transactions by wholesalers for sales of less than a carload or truckload and for products that are of good quality and condition, unless otherwise noted. Market News staff strive to report prices on the full range of produce available at the market facilities they are covering, except when volume is extremely low.

A Snapshot of Boston's Wholesale Market

Boston is the only city for which Market News consistently reports organic prices. The wholesale facility there lends itself to the reporting process. It is relatively small with all produce gathered in a fairly compact area, while other markets move more volume and are larger and less centralized. For example, several wholesale facilities in New York handle a greater volume, with mainstream produce sold through Hunts Point and specialty commodities sold in Brooklyn or at other off-market sites.

Since January 2000, the *Boston Wholesale Fruit and Vegetable Report* has included prices for organic items over 85 percent of the time. The report typically contains prices on about 10 types of organic vegetables and fruit, such as potatoes, mushrooms, and bananas. Although the number and type of commodities reported varies widely from day to day, the report routinely contains prices for organically grown broccoli, carrots, and mesclun mix (a blend of baby lettuces).

In the Boston wholesale market, each of the three vegetables had its own price pattern and a different price relationship with its conventional counterpart during 2000-01. Organic broccoli followed a wholesale price pattern similar to conventional broccoli. Organic carrots carried higher price premiums during the first half of 2000 than the last half. And organic mesclun prices followed those for conventional mesclun closely, occasionally falling below conventional prices.

Organic broccoli wholesale prices during 2000-01 showed the highest volatility of the three organic commodities routinely reported in Boston. Conventional and organic prices showed a cyclical pattern and peaked during May and November 2000 and July 2001. Organic prices started their peaks before conventional prices rose, dropping off after prices for conventional broccoli returned to normal price levels. During 2000-01, premiums for organic broccoli averaged over \$13 for a 14-count bunch, or 130 percent of the conventional price.

While price premiums for *organic carrots* were clearly present in the Boston market in 2000-01, price patterns did not necessarily follow those of conventional carrots. Conventional carrots remained more or less stable, with prices ranging from \$9.50 to \$14 per container (sacks of 24-count 2-lb. film bags) and averaging \$11.27 since January 2000. Prices for organic varieties, on the other hand, were comparatively volatile, varying between \$17.50 and \$35 during 2000-01. Price premiums for organic carrots averaged over \$14 per container, or more than 125 percent of conventional prices.

Organic mesclun, sourced from California, did not carry as high a price premium