Chapter 9. Fruit

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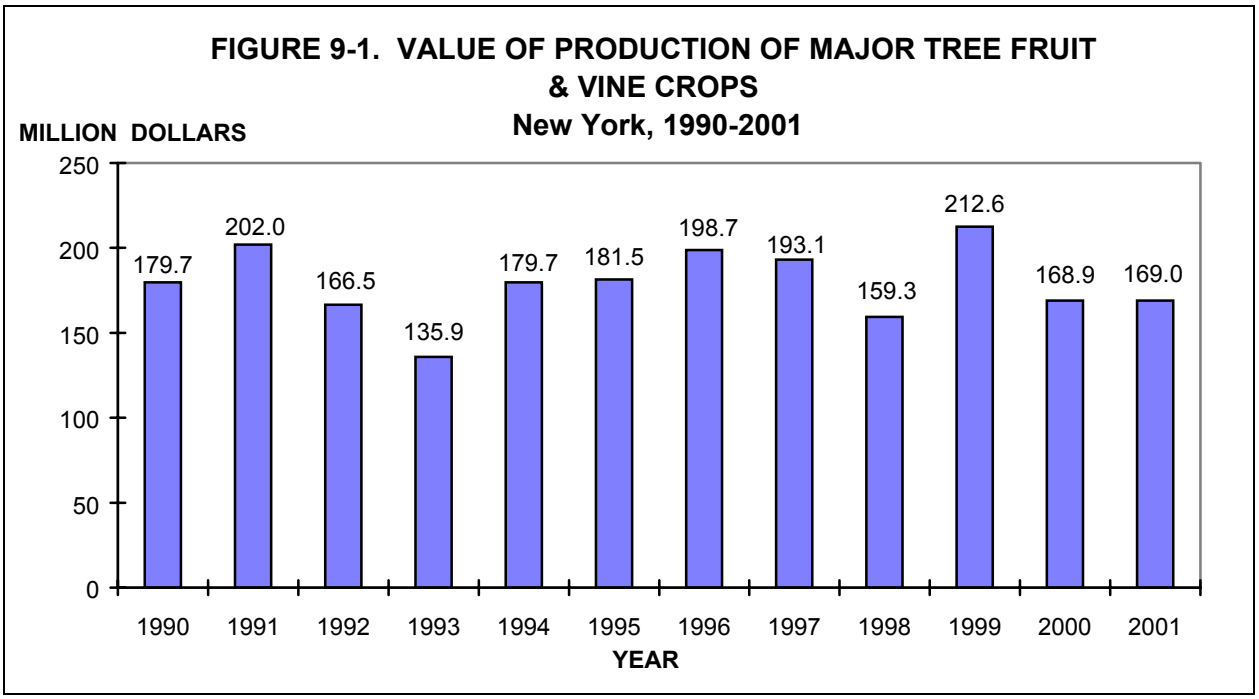

Source: New York Agricultural Statistics, 2001-2002

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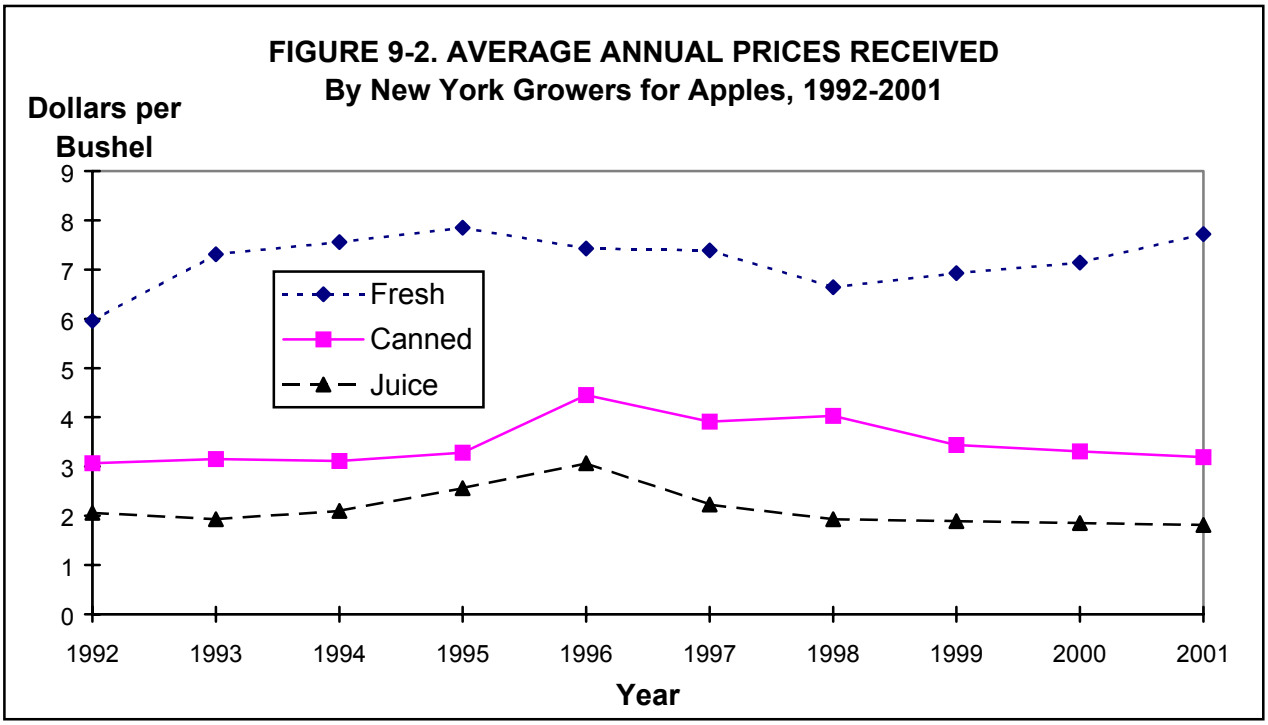


TABLE 9-1. COMMERCIAL NONCITRUS FRUIT PRODUCTION
New York and United States

Fruit	New York				United States			
	1999	2000	2001	2002*	1999	2000	2001	2002*
	thousand tons							
Apples	630	498	500	325	5,315	5,332	4,815	4,455
Grapes	205	154	149	145	6,236	7,688	6,553	7,097
Tart Cherries	9	8	7	6	128	144	178	30
Pears	13	15	11	10	1,015	967	1,006	946
Peaches	7	6	6	5	1,263	1,300	1,221	1,266
Sweet Cherries	1	1	1	1	216	207	230	204
Total New York's Major Fruit Crops	865	682	674	492	14,173	15,638	14,003	13,998

*indicated

TABLE 9-2. AVERAGE FARM PRICES OF NONCITRUS FRUITS
New York and United States

Fruit	New York				United States			
	1998	1999	2000	2001	1998	1999	2000	2001
	dollars per ton							
Apples								
Fresh	316	330	340	368	346	426	356	458
Processed	160	134	130	133	95	128	102	106
All Sales*	228	228	234	238	244	300	254	314
Grapes	311	286	298	302	454	469	403	446
Tart Cherries	360	314	426	392	290	436	374	372
Pears	375	388	353	401	291	294	264	282
Peaches	832	908	800	622	384	380	390	424
Sweet Cherries	2,070	1,490	1,370	1,530	1,100	1,100	1,340	1,230

TABLE 9-3. VALUE OF UTILIZED PRODUCTION, NONCITRUS FRUITS
New York and United States

Fruit	New York				United States			
	1998	1999	2000	2001	1998	1999	2000	2001
	million dollars							
Apples								
Fresh	66.4	97.4	78.2	77.3	1,111	1,278	1,113	1,272
Processed	43.2	42.9	30.9	34.6	206	286	212	206
All Sales*	109.6	140.2	109.1	111.9	1,316	1,564	1,336	1,477
Grapes	38.9	58.4	45.9	45.0	2,640	2,927	3,096	2,921
Tart Cherries	2.2	2.7	3.5	2.8	44	56	52	57
Pears	3.8	4.4	4.6	4.0	282	298	250	273
Peaches	3.5	5.4	4.5	3.7	447	463	489	496
Sweet Cherries	1.3	1.5	1.2	1.6	213	235	274	270
Total New York's Major Fruit Crops*	159.3	212.7	168.8	169.0	4,942	5,543	5,497	5,494

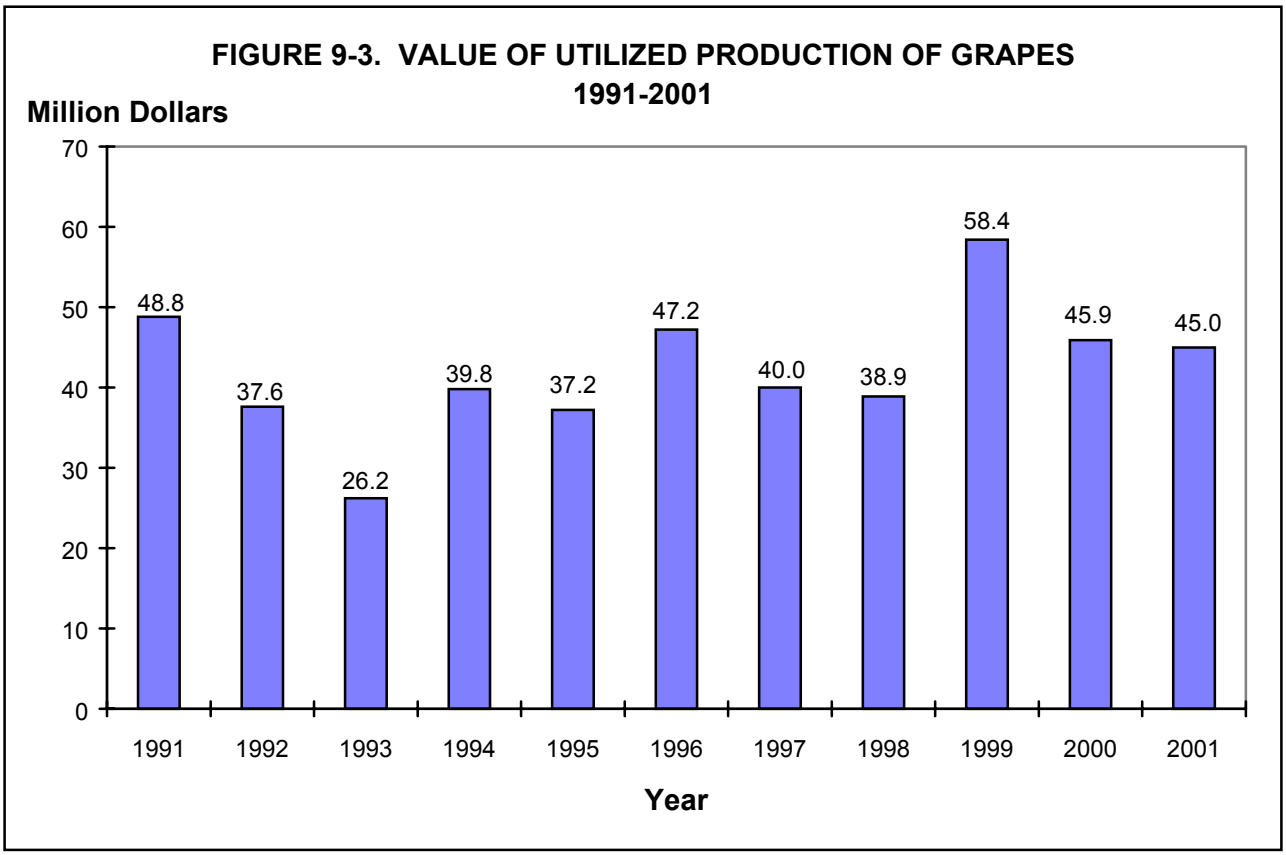
*May not add from total of fresh and processed due to rounding errors.
Source: NASS, USDA, Noncitrus Fruits and Nuts 2000 Summary, July 2002.

TABLE 9-4. APPLE PRODUCTION, UNITED STATES, 1997-2001, Five-Year Average Production, and 2002 Forecast 1,000 42-Pound Bushels

States/Regions	5-Year Average 1996-2000*	2001*	2002 USDA Estimate**	2002 Compared to USDA 5-Year Average % Change	2002 vs. 2001 % Change
Maine	1,269	1,119	1,143	-9.9	2.1
New Hampshire	795	714	548	-31.1	-23.3
Vermont	1,069	976	786	-26.5	-19.5
Massachusetts	1,171	929	762	-35.0	-17.9
Rhode Island	66	43	83	25.9	94.4
Connecticut	502	488	286	-43.1	-41.5
New York	25,929	23,810	15,476	-40.3	-35.0
New Jersey	1,262	1,310	952	-24.5	-27.3
Pennsylvania	11,381	11,429	9,286	-18.4	-18.8
Maryland	920	971	762	-17.1	-21.6
Virginia	7,333	7,381	5,952	-18.8	-19.4
West Virginia	2,690	2,738	2,262	-15.9	-17.4
North Carolina	3,986	2,857	3,571	-10.4	25.0
South Carolina	776	143	333	-57.1	133.3
Georgia	290	214	238	-18.0	11.1
Total East	**59,440**	**55,121**	**42,440**	**-28.6**	**-23.0**
Ohio	2,043	2,048	1,905	-6.8	-7.0
Indiana	1,249	1,262	952	-23.8	-24.5
Illinois	1,253	1,038	1,000	-20.2	-3.7
Michigan	23,238	20,952	12,381	-46.7	-40.9
Wisconsin	1,600	1,476	1,381	-13.7	-6.5
Minnesota	547	571	524	-4.2	-8.3
Iowa	233	210	193	-17.3	-8.0
Missouri	1,024	976	810	-20.9	-17.1
Kansas	111	95	107	-3.4	12.5
Kentucky	199	207	190	-4.1	-8.0
Tennessee	240	214	190	-20.8	-11.1
Arkansas	142	131	131	-7.7	0.0
Total Central	**31,879**	**29,181**	**19,764**	**-38.0**	**-32.3**
Total East & Central	**91,319**	**84,302**	**62,205**	**-31.9**	**-26.2**
Colorado	776	595	619	-20.2	4.0
New Mexico	148	143	NA	NA	NA
Utah	833	714	357	-57.1	-50.0
Idaho	2,643	1,905	1,667	-36.9	-12.5
Washington	131,905	121,429	128,571	-2.5	5.9
Oregon	3,805	3,381	3,333	-12.4	-1.4
California	19,371	16,667	14,286	-26.3	-14.3
Arizona	1,075	129	1,119	4.1	770.4
Total West	**160,556**	**144,962**	**149,952**	**-6.6**	**3.4**
TOTAL U.S.	**251,875**	**229,264**	**212,157**	**-15.8**	**-7.5**
TOTAL NORTHEAST	**47,055**	**44,526**	**32,345**	**-31.3**	**-27.4**

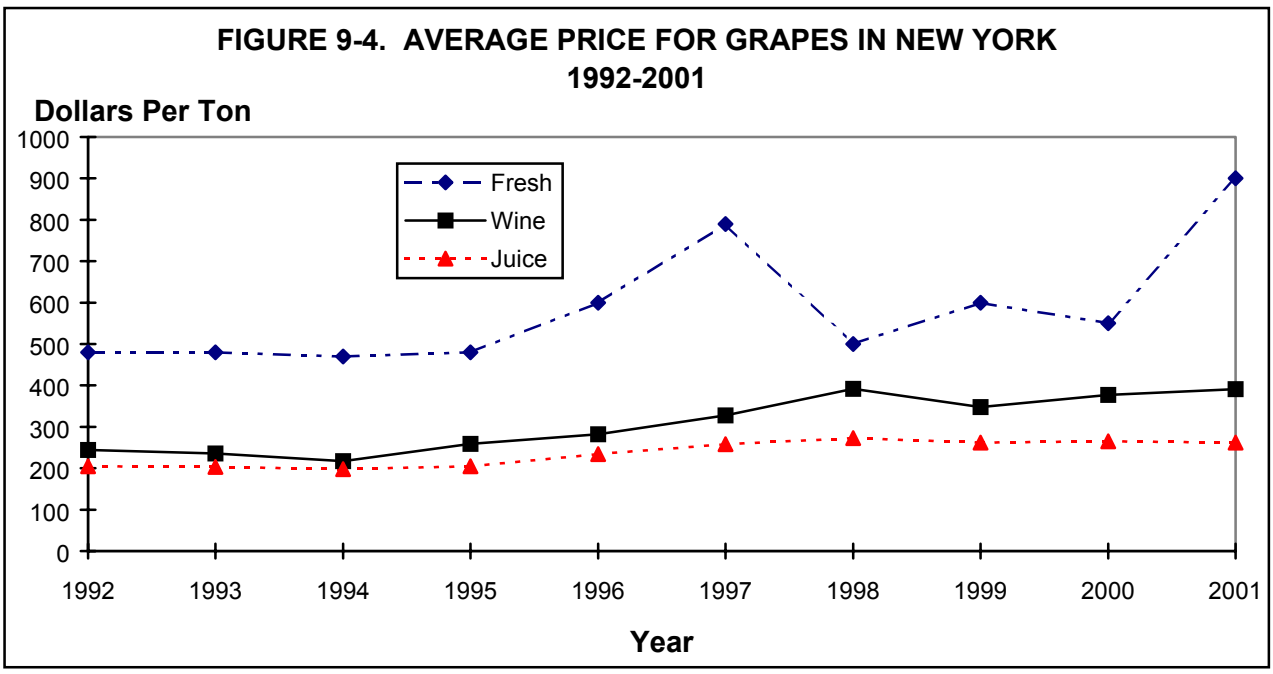
*2001 and 5-year average production from NASS, USDA, Non-Citrus Fruits and Nuts Summary July 2002.
**NASS, USDA, Crop Production, October 2002

FIGURE 9-3. VALUE OF UTILIZED PRODUCTION OF GRAPES
1991-2001



Source: New York Agricultural Statistics, 2001-2002.

FIGURE 9-4. AVERAGE PRICE FOR GRAPES IN NEW YORK
1992-2001



Source: New York Agricultural Statistics, 2001-2002.

TABLE 9-5. GRAPES: NEW YORK GROWN
Received By Wineries and Processing Plants, 1997-2001

Variety	1997	1998	1999	2000	2001	5-Year Avg.
	- tons -					
Concord	96,600	89,400	154,500	113,300	107,200	112,200
Niagara	12,800	10,000	17,200	13,900	15,100	13,800
Catawba	7,335	6,090	9,600	6,400	7,760	7,437
Elvira	4,110	3,080	4,540	3,660	3,950	3,868
Delaware	1,010	550	1.180	630	550	784
Dutchess	***	***	***	***	***	***
Ives	130	115	210	140	150	149
Aurora	3,295	4,080	4,240	4,060	2,880	3,711
de Chaunac	575	710	940	670	850	749
Baco Noir	670	890	730	720	990	800
Seyval Blanc	600	650	850	550	610	652
Cayuga White	630	840	860	740	670	748
Rougeon	585	420	660	540	680	577
Vitis Vin.(all)	3,650	4,015	4,030	4,670	4,410	4,155
Other varieties	2,010	2,160	2,460	2,020	2,200	2,170
Total, all varieties	134,000	123,000	202,000	152,000	148,000	151,800

SOURCE: New York Agricultural Statistics, 2001-2002.

TABLE 9-6. GRAPES: PRICES PAID FOR NEW YORK GROWN GRAPES PROCESSED 1997-2001

Variety	1997	1998	1999	2000	2001	5-Year Avg.
American Varieties						
Catawba	220	245	243	246	252	241
Concord	257	276	261*	263*	264*	264
Delaware	230	270	279	272	259	262
Dutchess	***	***	***	***	***	***
Elvira	215	240	238	244	250	237
Ives	300	370	384	385	381	364
Niagara	233	265	271*	248*	240*	251
French American Hybrid						
Aurore	220	245	248	240	244	239
Baco Noir	330	395	409	405	442	396
Cayuga White	335	390	401	412	398	387
de Chaunac	315	375	285	391	375	348
Rougeon	320	380	404	384	382	374
Seyval Blanc	335	360	346	392	377	362
Vitis Vinifera						
All varieties	1,240	1,230	1,290	1,310	1,316	1,277
TOTAL	281	308	283	295	298	293

*Preliminary estimates of future payments by cooperatives have been included based upon historical data.
SOURCE: Fruit, 975-2-02 NY Agricultural Statistics Service.

GRAPE AND WINE SITUATION

Reprinted from "Finger Lakes Vineyard Notes, Newsletter No. 11, November 1, 2002, Finger Lakes Grape Program."

Grape Production

The national grape crop is expected to be 7.1 million tons. If realized, this would be nine percent above last year's crop and about six percent above the average of the last five years. (Note: The second estimate, released in October, was 7.3 million tons.) California, which accounts for over 90 per cent of US production, is up about nine per cent from last year. The eastern US crop was hit hard by freeze damage; Michigan's vineyards were decimated by freeze damage for the second straight year, and the crop is expected to be only 20 thousand tons (normal production is 60 thousand tons). Pennsylvania's estimated production fell by 27 percent. There are, however, ample supplies in the western United States, and continued increase in bearing acreage in California, Washington, and other large producers in the world such as Australia, hangs over the marketplace as grapes planted in the last five years come into production.

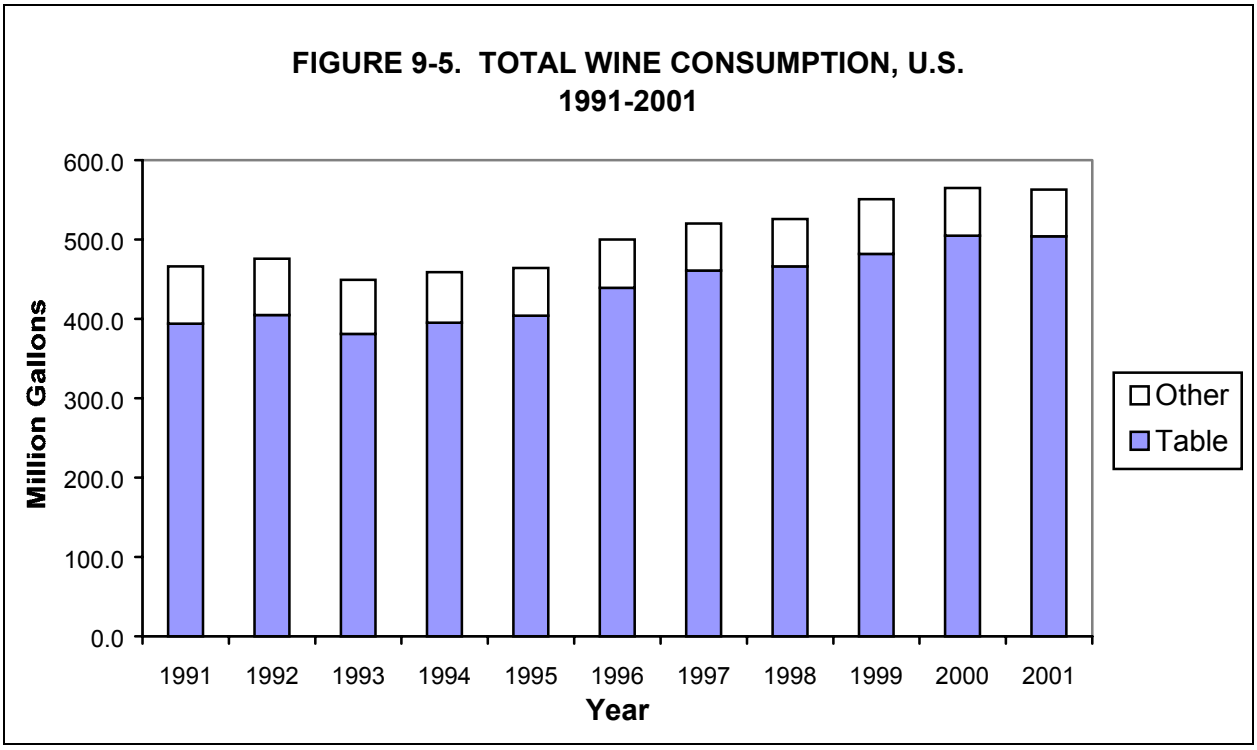
There is a glut in California. At the time this article was written, industry estimates of wine grapes to be unharvested in California ranged as high as 75,000 tons. (As a point of reference, the New York industry utilizes on average about 42,000 tons of its grapes annually for wine.)

New York's grape crop was estimated at 135 thousand tons, down nine per cent from last year's modest crop and 13 per cent below the average of the last five years. (Note: The second estimate, released in October, was 145 thousand tons.) Unseasonably warm temperatures in April followed by a series of freezes resulted in a short crop, especially in parts of the Chautauqua-Erie grape belt. The state's production has been highly variable in the last five years, ranging from 128 thousand tons in '98 to 205 thousand tons in '99. This year's weather was a good reminder of the importance of risk management. Growers should be taking a close look at crop insurance. About 55 per cent of the grape acreage in New York is now covered by crop insurance policies, including over a third of the acreage that is covered by buy up policies.

The Big Picture - The US Wine Market

Performance in the US wine market is being driven by increased table wine consumption (Figure 9-5), which now accounts for 90 percent of wine consumed. From 1995 to 2000, wine consumption grew at the rate of four percent a year. Consumption actually grew in 2001, but wine shipments slowed due to the recession and reduced orders resulting from the events of 9/11, increasing just one percent for the year.

Coming into 2002, the effects of a weak economy and the decline in on-premise consumption were factors of concern to wineries nationally as consumers stayed home more, hurting the travel and restaurant trade. Price resistance was evident at the ultra premium level; luxury priced products in general were in trouble in this economy. Very competitive pricing from imports and from non-premium production areas in California (where there is a glut of wine grapes) made ample supplies available to consumers at lower price points.

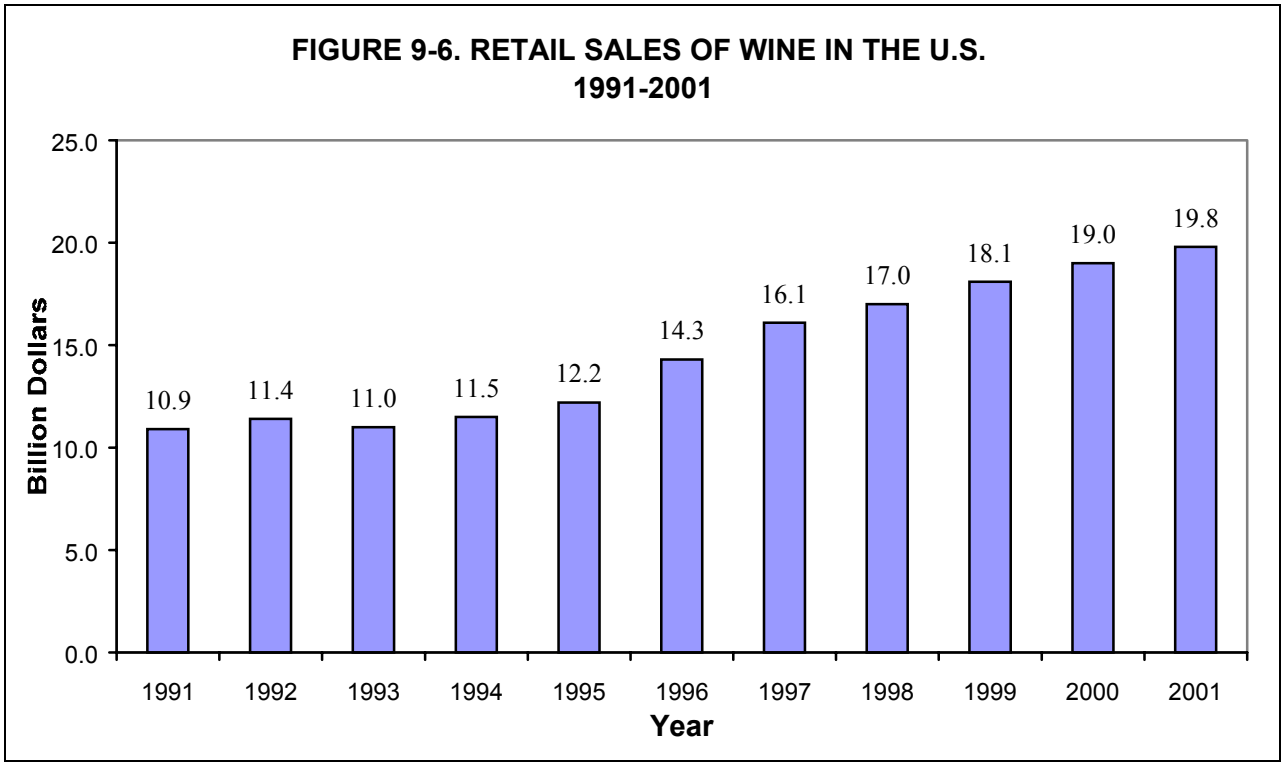


Source: Wine Institute/Department of Commerce/Gomberg, Fredrickson and Associates

Wine imports are running far above last year, and most of this growth is in the $7 to $10 per bottle category. Fortunately, restaurants and retailers began ordering more wine in the first quarter of this year as the economy improved and the travel and restaurant trade began to recover. Competitive retail prices meant bargains were available to consumers. These factors helped to boost consumption and shipments in 2002. However continued economic uncertainty (the threat of a double dip recession, the decline of the stock market this summer, and the potential for war in the Middle East) means that consumers are still wary. The year will probably end with improved shipments for 2002, above the level for 2001 but below the growth rates seen in the last half of the 90's. Shipments for 2002 will probably increase by about 2.5 percent. Imported wines grew by about six percent in 2001 and accounted for about 22 percent of the US market. The increase in imports was fueled by a strong dollar which made imported wines a real buy for consumers, and totaled 126 million gallons in 2001. The value of imports is $2.2 billion, much more than exports, because of relatively high valued imports from France, Italy, and Australia.

Retail wine sales for the US reached $19.8 billion in '01, (Figure 9-6). With the price cutting that occurred this year, retail sales will probably barely reach $20 billion in 2002.

Exports have been an exceedingly bright story for the US industry. Exports account for about 11 percent of total California wine shipments. Washington state has a growing presence in export markets, especially in the United Kingdom and Japan, and now accounts for about $15 million in sales, mainly premium and super premium categories. Growth in exports was 67 percent over the five year period ending in 2000, totaling 78 million gallons for a value of $547 million. Growth slowed in the two most recent years and the value of exports actually declined by one per cent in 2001 because of the strong US dollar and intense competition from Chile and Australia. More than 90 percent of exports originate in California.



Source: Wine Institute/Gomberg, Fredrickson and Associates

Exports of US wines are expected to increase slightly in 2002. Import growth for the year is likely to show an increase of about 15 percent.

Finger Lakes Grape Prices and Implications for Growers

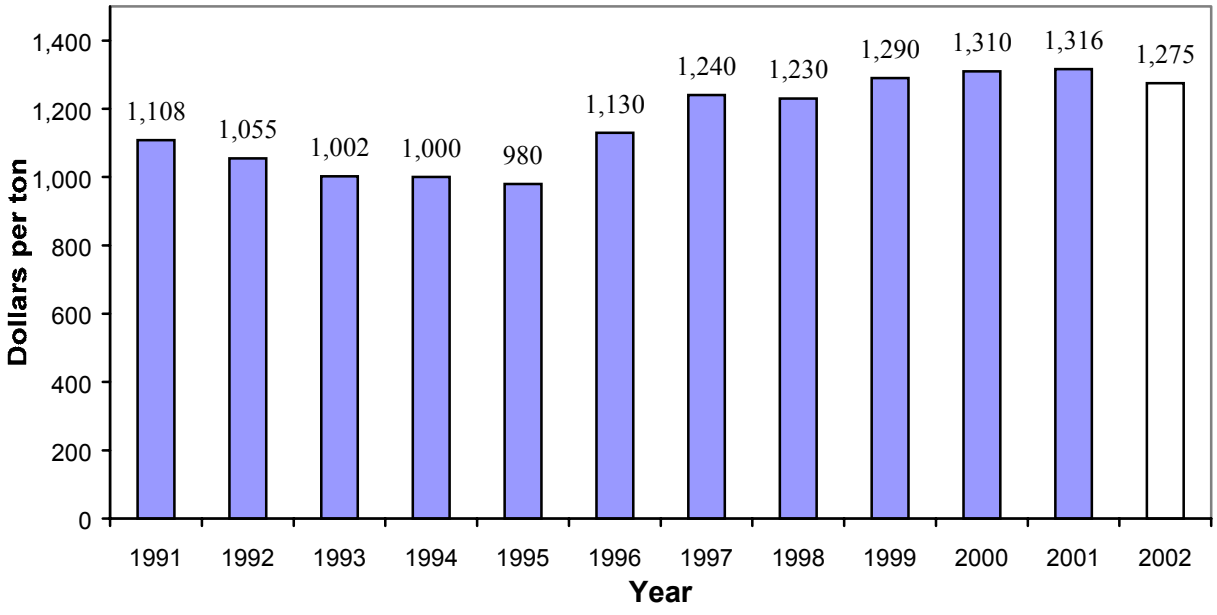
For growers selling to large wineries, prices for grapes on contract ranged from slightly higher to considerably lower than last year, depending upon the variety. Canandaigua Wine Company, the major buyer of wine grapes in New York, listed a $5 per ton increase for Aurore, and a $10 increase for Elvira. Catawba, Delaware, white hybrids, and Niagara listings were unchanged. Large decreases were listed for red hybrids and Concord. The most notable price offering was for non-contracted grapes which hardly paid for the cost of harvesting ($50 for most varieties and $100 for non-contracted red hybrids). Thus the overall average price for native varieties and hybrids, when weighted by volume of purchases, will be down significantly from last year, reflecting the glut of non-premium grapes nationally.

Prices offered by Finger Lakes wineries for *vinifera* grapes were slightly lower than last year. Price offerings for Chardonnay led the decline with a nine percent decrease. Riesling prices declined slightly. Red *vinifera* varieties such as Merlot, Cabernet Franc, Cabernet Sauvignon, and Pinot Noir were down slightly or unchanged. Prices for these red varieties had been increasing in prior years. Lower prices probably reflect the effects of the weak economy and the effects of 9/11 on shipments in the past year. The average prices for all *vinifera* in the state of New York will decrease for the 2002 crop year to about $1,275 per ton, a significant decrease from last year, and the first decrease in average *vinifera* prices since 1998 (Figure 9-7).

For the fourth year in a row, more buyers offered premiums (i.e. there were two sets of prices, regular grade and premium) for higher quality grapes this year. Slightly higher prices were listed for premium Chardonnay and Riesling grapes. This reflects the efforts of some wineries to step up the quality ladder to higher price points. **Growers who can meet the demand for premium quality will likely be**

rewarded for their extra expenses, especially as the Finger Lakes region continues to gain greater recognition as a premium wine producing region.

FIGURE 9-7. AVERAGE PRICE OF V. VINIFERA GRAPES, NEW YORK STATE, 1991-2001 AND 2002 (PROJECTED)



Source: New York Agricultural Statistics Service, Fruit Series

While the state's growers experienced lower yields, much of the decrease came in the Concord and Niagara varieties in the Lake Erie region. Finger Lakes growers had yields similar to last year's, or about average. Slightly lower yields were experienced for some Native American varieties, particularly those located on cooler sites with moderate frost injury. Most growers' revenues (assuming a mix of American, hybrid, and *vinifera* varieties), will be below last year. This is the third consecutive year of modest production, and this year prices are down as well. Several factors suggest the situation will be somewhat unfavorable in the next few years for native varieties and for the less desirable French American varieties. The glut of grapes in the west, with still sizable non-bearing *vinifera* acreage in the Central Valley, cheap off-shore and California concentrate and bulk wine, and an excess of wine grapes worldwide are factors placing stress on those selling to large processors.

The outlook for high quality *V. vinifera* grapes remains favorable for the long run. There is considerable optimism about the Finger Lakes small premium wine grape industry, and growers who can grow premium grapes to sell to the growing small premium winery segment have reason to be positive despite the softness of the current economic situation.

Implications of the economic slowdown for small wineries

Small wineries with quality wines and good marketing skills experienced only modest sales growth in 2001, and for the first half of the current year. Winery visitation leveled off and in some areas decreased slightly. Some relatively new wineries reported strong sales increases, but larger wineries reported that traffic was not increasing**. One positive development was the increasing sales through wholesalers that several wineries experienced**. **While the profit to the winery is not nearly as great as for direct sales, increasing**

sales though wholesale channels is a necessary step for the Finger Lakes to gain more national and international recognition and to increase growth potential for the future.

Small premium wineries in the Fingers Lakes have been in their "comfort zone" with heavy reliance on direct sales. Certainly, they have been insulated from the ups and downs that larger wineries with national distribution face, especially when the economy is soft as in the past year. And profit per bottle is certainly higher, as noted above. Nevertheless, breaking out of the barrier of reliance on direct sales will be a huge plus for the region. As the industry is currently configured, sales growth is constrained by the growth in local population and growth in personal disposable income of local residents, as well as growth in tourism. The upstate New York economy, although perhaps showing some improvement in recent years until the current slowdown, cannot be relied on for strong growth potential. To increase visibility, reputation, and ultimately sales potential, wholesale distribution must be increased. Marketing out of state, as well as to the New York City market, are alternatives that should be evaluated carefully by those larger, more established wineries who want to grow their businesses.

Wineries will have to be selective with which wines they market in these channels; Finger Lakes Riesling would seem to be the best varietal for most wineries to launch into expanded distribution. A window of opportunity is presented by the fact that price resistance to high end, luxury wines in restaurants is now being experienced. Restaurants are looking to offer some new choices on their wine lists, but at somewhat lower prices (but still attractive prices to New York wineries).