

Update on the US Pear Industry

[Snapshot of Trends in Area and Production, 1990-2000](#) (excel file)

	<u>1998-2000 Average</u>	<u>Percent Change, 1990's</u>
Area	26,769 hectares	-5.7 percent
Production	892,792 m. tons	+5.9 percent

Industry Size and Location

Pear production remains centered in three western states, led by Washington, California and Oregon; together comprising 97% of US pear production. Washington accounted for an average of 41% of national production in 1998-00, produced on 37% of total US area. Washington's share of production was up 4 points while California lost two, finishing the decade with an average share of 33%. Oregon's share was relatively stable at 23%. The Washington and Oregon industries are jointly referred to as the Northwest pear industry, together accounting for 64% of the nation's crop and a higher share of fresh-market production, making it the dominant industry force. The Northwest works as a unit to promote pear consumption, via the Pear Bureau Northwest, a producer-sponsored generic promotion program.

Medford in southern Oregon is the first Northwest district to come into production in about mid-August, followed by the Mid-Columbia Basin, comprising the Hood River district of Oregon on into the White Salmon area of Washington. Harvest then begins further north in Washington in the Yakima Valley and the Wenatchee area. Extensive controlled atmosphere storage capacity in Washington (developed for the apple industry) gives Washington an advantage in extending its fresh-market season throughout the winter, whereas California aims to market most of its crop by October.

California shippers have historically had a short market window relative to Northwest pear producers, with California River district shippers beginning their harvest season in July. Production then moves north to Lake and Mendocino counties before

production starts in the Northwest in mid to late August. The California Pear Advisory Board administers a generic promotion program, focusing on Bartlett pears.

Industry Characteristics and Trends in Demand and Trade

The US pear industry became increasingly fresh-market oriented over the decade, with about 40% now processed compared to the majority prior to the start of the decade. In the latter part of the 1990s over half of US pear production was the dual usage Bartlett variety, accounting for almost all of processed utilization. Fresh-market varieties, such as Anjou and Bosc, gained share relative to Bartletts over the decade and more Bartletts were diverted to fresh markets.

While fresh market utilization of all pear types increased over the decade, total pear production expanded less than 6% as processing demand dampened. This negatively affected California, in particular, whose area declined, since even today only around 30% of the California pear crop goes to fresh markets (up from 24% in 1990). California is responsible for about 55% of the US Bartlett crop for fresh and processed use and the California pear industry outlook is largely dependent on the future of the Bartlett pear, as it accounts for about 93% of the total California crop.

In contrast, Northwest pear production is dominated by winter fresh-market pear varieties (e.g., Anjou, Bosc, Comice). The Northwest's production of winter fresh-market pear varieties exploits the competitive advantage provided by its controlled atmosphere storage capacity and the good storage characteristics of these varieties. This likely explains Washington's ability to expand production in the face of declining production in California.

The US pear industry became increasingly export dependent in the 90s. This dependence is most pronounced for fresh pears, with exports accounting for around 30% of production today compared to about half that prior to the start of the decade. The export share more than doubled for processed pears, up from 8% a decade ago to around 18% today. Shipments to Canada have declined while Mexico has become the largest export market and other Latin American countries (led by Brazil and Venezuela) and Asian markets have been developing over the decade. Future prospects for the pear industry depend in part on the growth of import demand in these emerging markets.

Imports also grew in the 1990s but the US's net export position remained relatively unchanged and strong. The vast majority of imports are contra-seasonal, limiting the affect on the domestic industry. Argentina's pear exports to the US expanded dramatically as of 1996, with Argentina successfully capturing market share away from the prior primary supplier, Chile, becoming the leading foreign supplier with just under half the import market.

Lingering supplies of Packhams from Southern Hemisphere exporters like Argentina may affect early season demand for California shippers, reducing prices in the 3-4 week market window they traditionally enjoyed prior to head-to-head competition with the dominant Northwest pear industry. Hence, while in general imports are not a factor for the US pear industry, they may be somewhat detrimental to the future competitiveness of California.

The future outlook for the US pear industry as a whole may be affected by China, by far the world's largest pear producer. China's fresh pear exports to the US are small but expanded from nothing prior to 1998 to over 5000 Mt in 2000. This has the potential to negatively affect the US processing market in the future as well. In the meantime, imports of South African processed pears have grown and may continue to do so in light of new trade preferences afforded to that nation.

Per capita consumption of pears fell over the decade from 3.2 to 2.8 kg due to declining processed consumption; fresh pear consumption varied between 1.4-1.6 kg. depending on weather and crop conditions. With more and more fresh fruit options available year-round processing consumption is unlikely to rebound. Some attempts are being made to stimulate demand for fresh pears by introducing fresh-cut pears in retail packs. However, browning is a problem and unless postharvest technology overcomes this barrier it will limit the development of a significant fresh-cut pear sector. The generic promotion efforts undertaken by the Pear Bureau Northwest and the California Pear Advisory Board likely stand a greater chance of maintaining market share for pears relative to other products than significantly expanding consumption.

Industry Structure

According to the 1997 Ag Census there were 2059 pear growers in Washington, 1107 in Oregon and 870 in California. There are just under 40 fresh market packers in

California and 17 fresh sales agents, with about 25 marketers in Washington and Oregon. On the processing side there are only three major canners remaining in California and the bankruptcy of one eliminated an important marketing outlet for many growers, forcing more product onto the fresh market. There are several Northwest based canners that purchase production in that region as well as from California.

The Washington fresh pear industry benefits from the fact that many of its shippers are large volume apple shippers with controlled atmosphere storage facilities. This enables them to offer retailers consistent volumes over an extended season, always an advantage in the US marketing system. Increasingly, these shippers are developing forward contracting arrangements with buyers for fresh apples and pears, sometimes extending beyond their own production seasons. In some cases they may be excluding California from these contracts, going straight from their storage crop and contra-seasonal imports to Northwest production. Furthermore, California pear shippers are generally smaller volume than their Washington counterparts, making it more difficult to meet the volume needs of increasingly large buyers.

The California pear industry faces other marketing disadvantages relative to Washington. Since it is located in the northern part of the state away from the large summer tree fruit producers in the California Central Valley, it is more difficult to compete for trucks to reach distant markets. In some cases shippers have made special arrangements to transport their pears to the Central Valley where they can be picked up when mixed loads are assembled for shipment to distant buyers.

The Future: Outlook for 2010

It is more likely that US processing pear utilization will decrease than not, due to both declining domestic per capita consumption and the potential for greater imports. This will have a disproportionately negative effect on California relative to the Northwest.

Furthermore, it is unlikely that fresh pear consumption will expand markedly over the decade, barring a technological innovation allowing for successful launching of new fresh-cut pear offerings. Pears face numerous obstacles in both foodservice and retail channels, in part due to the problems posed by ripening. The challenge of placing ripe pears on the retail shelf while still avoiding shrink mean that consumers are often faced

with inconsistent pear quality. The industry is attempting to improve quality through pre-ripening programs and this will need to occur to enable pears to compete effectively with abundant substitute fruit options. The demand for **US-grown** fresh pears depends as well on import competition and export demand.

While the Chilean pear industry has stagnated, Argentine production is still expanding due to non-bearing area set to come on line. Argentina is now the fourth largest pear producer in the world. The recent Argentine economic crisis may temporarily limit this expansion, reduce exports and cause more of what is exported to divert to European markets due to relative exchange rates. However, over the longer run Argentina is likely to continue to encroach upon early season California shippers. Apparently, even relatively small volumes of pears left in the market in July can clog the retail pipeline and limit demand for California pears during its narrow one-month window prior to when it enters into full competition with Northwest producers.

Chinese fresh pear exports are primarily Asian pears, which represent a small share of US production. Hence, for now any competitive impact of this Northern Hemisphere shipper is limited. However, apparently China is attempting to increase its area devoted to varieties with broader commercial appeal. Even if the potential development of this industry doesn't affect the US market directly, it is likely to affect demand for US fresh pear exports in third country markets, Asian in particular, followed by South America.

The total size of the import markets in these countries depends on income growth and evolving consumption patterns. If income growth there is less over the upcoming decade than it was in the high growth 90s, US pear producers may be forced to decrease their dependency on export markets by the end of the decade. On the other hand, if the global economy rebounds many developing countries may continue to expand their import demand.

Uncertain export demand coupled with stagnating domestic demand for the nation's primary pear variety, the Bartlett, does not bode well for future growth in the US pear industry overall. It is unlikely that expanded consumption of Bartletts in fresh form will offset declining processed utilization. California's dependence on Bartlett pears and the fact that over half of its crop still moves into processing markets, means that

production is likely to contract over the next decade. A new generic promotion program designed to stimulate demand for California-grown fresh produce may hold some potential for increasing retail shelf-space and demand for California relative to Northwest pears. Still, the California industry is facing some difficult adjustments, which may include tree removals and changing varieties. Already area is declining in the more northerly (later starting) production areas in California that have the most overlap with the Northwest. Washington should fare better, with its share of production likely to increase more rapidly than its production volume, which will be limited by demand constraints.