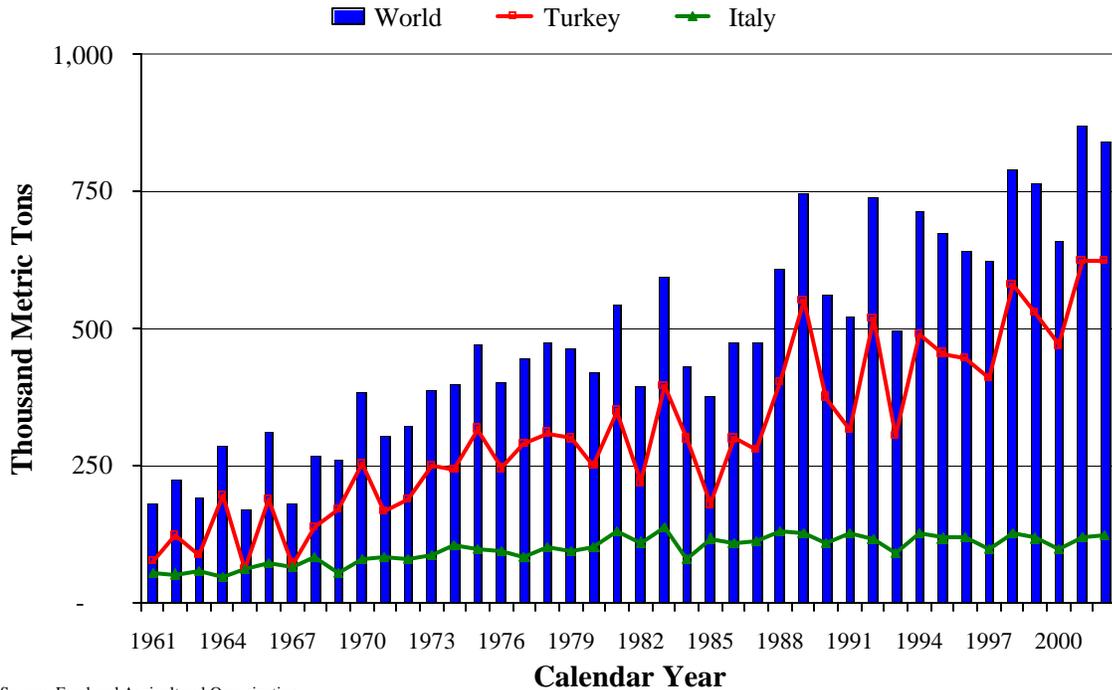


World Hazelnut Situation & Outlook

Production

According to the United Nations Food and Agriculture Organization (FAO), the top five hazelnut producers in calendar year (CY) 2002 were Turkey at 625,000 metric tons (74 percent share of the world's production), followed by Italy (123,000 tons, 15 percent share), Spain (22,000 tons, 3 percent share), Azerbaijan (16,000 tons, 2 percent share), and the United States (16,000 tons, 2 percent share). From 1961 to 2002, reported world hazelnut production percent, from 182,275 tons to 842,981 tons. As can be seen in the figure below, Turkish production is the key element of the global growth trend. Italy, perennially the second largest producer in the world, has experienced more moderate growth; from 55,379 tons in 1961 to 122,565 tons in 2002.

Global Hazelnut Production



Source: Food and Agricultural Organization

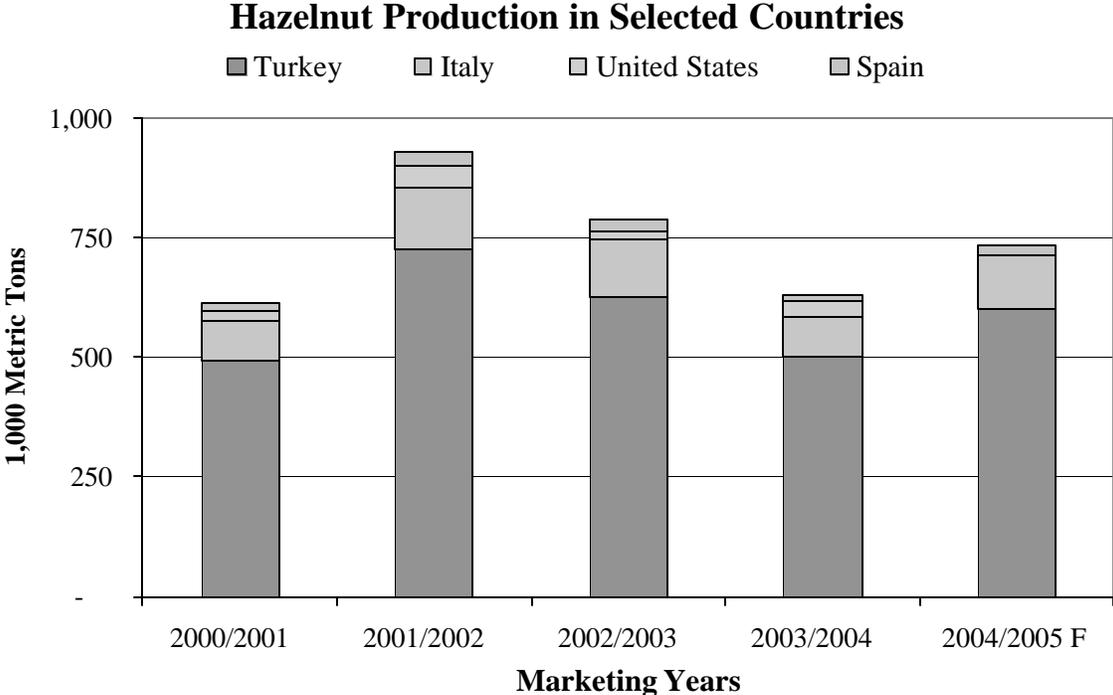
The United States Department of Agriculture (USDA) [Production, Supply and Distribution \(PSD\)](#) database contains data on in-shell hazelnuts for the United States, Italy, Spain and Turkey. Of the selected countries in the PSD database, the United States accounted for 5 percent of reported production in marketing year (MY) 2002/03.

Given the alternate bearing cycle of hazelnut trees, the initial NASS MY 03/04 forecast is 31,751 metric tons up 79 percent from a year earlier. According to the Oregon Agricultural Statistical Service 2003 [Objective Yield Survey](#), the average yield per tree was 261 nuts, up from 222 nuts per tree in 2002.

Despite ice-damage to some orchards, good weather during the pollination has led the U.S. industry to estimate MY 2004/05 production at 22,680 tons.

Abroad, hazelnut production in Spain, Italy, and Turkey is forecast to fall 22 percent, reaching 600,000 tons in MY 2003/04. However, due to the upswing MY 2004/05 of production in Turkey, the forecast indicates a 22 percent increase to 734,000 tons.

Production in Turkey is expected to fall 20 percent to 500,000 metric tons for MY 2003/04. This is mostly due to the downswing of the production cycle, and hot and dry growing conditions. Assuming normal weather conditions and the upswing of the production cycle, the MY 2004/05 forecast is 600,000 metric tons. Efforts by the Government of Turkey to reduce the area planted to hazelnuts have been ineffective due to a lack of grower interest.



Source: U.S. Agricultural Attache Reports and USDA National Agricultural Statistical Service.
 Marketing Years: Turkey, Italy, and Spain : Sept.-Aug.; U.S., July-June.

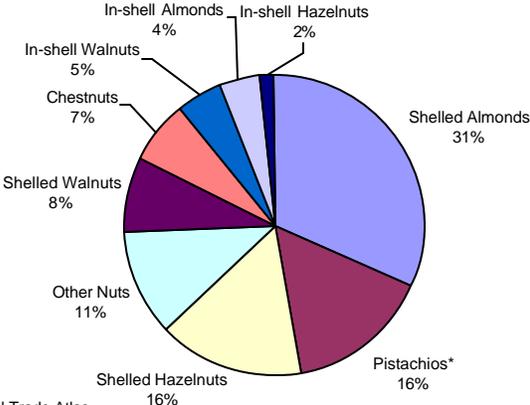
In Italy, freezing spring temperatures followed by a hot and dry summer lowered forecasts to 85,000 tons for MY 2003/04, a 29-percent decline from the previous marketing year. The following year (MY 2004/05), production is expected to be 110,000 tons, assuming normal weather conditions. The EU is changing its production policy for all tree nuts. These changes are expected to result in a slightly lower domestic support for Italian hazelnut growers. For more details on the EU production policy reforms, please see the [2003 Italy Tree Nut Annual](#).

Spanish production for MY 2003/04 was 13,000 tons with production for MY 2004/05 forecast to rise 85 percent to 24,000 tons. Hazelnut production is concentrated in the Catalonia region, which has 93 percent

of the total area planted. Stiff competition from Turkish hazelnuts and falling prices have placed many Spanish producers in a precarious situation.

Trade

CY 2002 Global Export Mix of Tree Nuts (HTS 0802) By Value

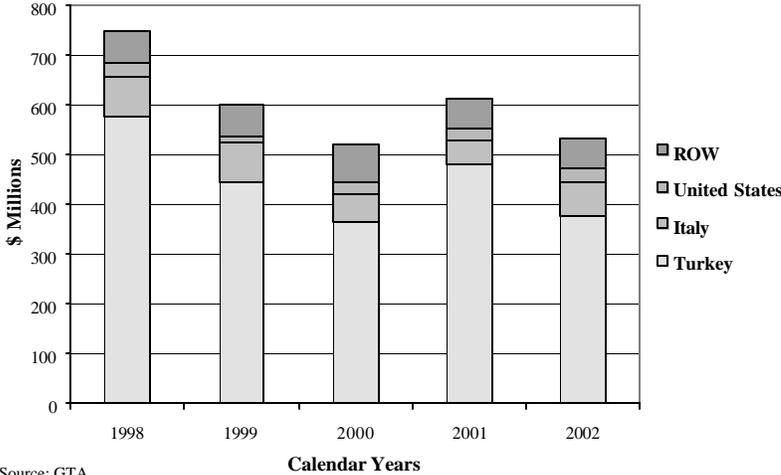


Source: Global Trade Atlas.
*Pistachios include reported imports from Iran.

According to Global Trade Atlas (GTA), CY 2002 global exports of selected tree nuts (HTS 0802)¹ rose 7.7 percent to reach \$3.1 billion. Of the total amount of tree nuts exported in CY 2002, shelled almonds accounted for 31 percent (\$978 million) while shelled and in-shell hazelnuts accounted for 18 percent (\$530 million). The total hazelnut share of global tree nut trade is closely tied to Turkish production and exports.

Turkey

Leading Exporters of Hazelnuts



Source: GTA

In CY 2002, Turkey exported \$375 million, 70 percent of the total hazelnut exports. In MY 2003, the government of Turkey did not provide FISKOBIRLIK, the hazelnut sales cooperative, with any funds to purchase hazelnuts. Instead, the cooperative purchased a small amount of hazelnuts with its own funds and plans to export them to cover the purchasing costs. Historically, the cooperative acts as the policy arm of the government by using GOT funds to purchase and withdraw hazelnuts from the markets to help maintain prices. However, the GOT is trying to cease these programs to comply with its WTO commitments. For further details please see [2003 Turkey Tree Nut Annual](#) and the [2004 Turkey Tree Nut Semi-Annual](#).

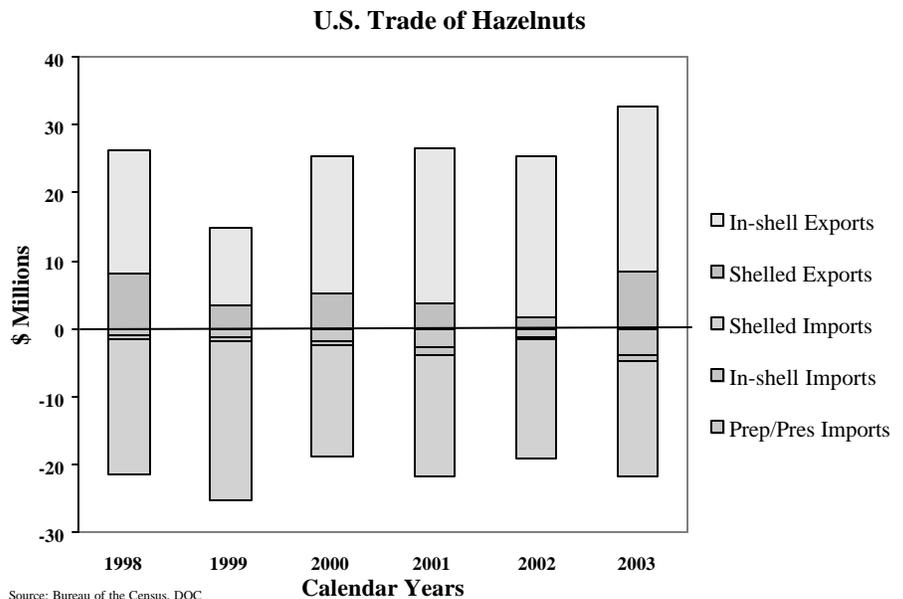
Most shelled Turkish hazelnut exports are bound for European countries. In CY 2002, Germany accounted for \$116 million (31 percent of total Turkish exports). Other key markets for CY 2002 include Italy (\$64 million, 17 percent), France (\$36 million, 9 percent), and Belgium (\$22 million, 6 percent).

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¹ Selected tree nuts includes HTS Chapter 0802: almonds, hazelnuts, walnuts, pistachios, pecans and other tree nuts.

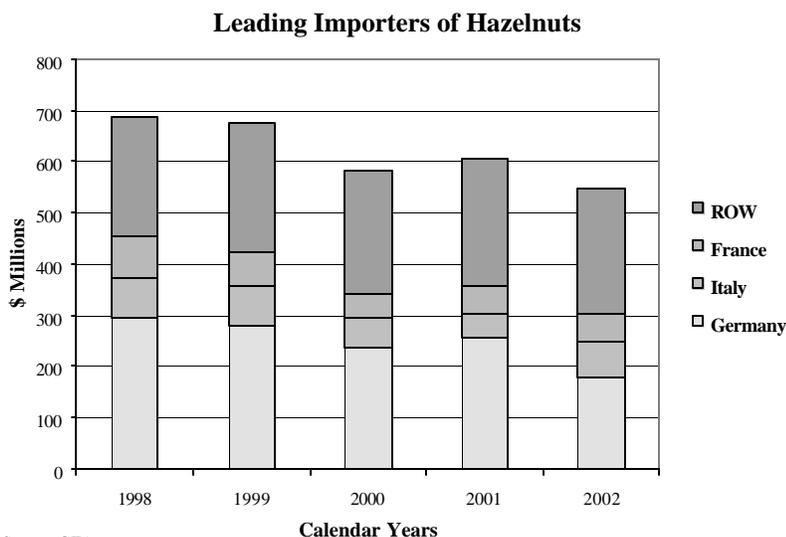
United States

Calendar Year (CY) 2003 exports of hazelnuts totaled \$32.6 million, up 28 percent from CY 2002. Historically, in-shell hazelnuts average 80 percent of U.S exports and in CY 2003 were valued at \$24 million. U.S. shelled hazelnuts comprise the remaining 20 percent, with an export value of \$8.5 million. While Turkey is the dominant exporter of shelled hazelnuts, the United States is the global leader of in-shell hazelnut exports with 49 percent of total reported exports.



The largest export market for U.S. in-shell hazelnuts is Hong Kong, with \$13 million in CY 2003 or 54 percent of total in-shell exports. GTA data indicates that most of the hazelnuts shipped into Hong Kong were re-exported to China and other markets. Hong Kong is also the leading importer of U.S. shelled hazelnuts, with imports surging over 3000 percent to \$4.6 million in CY 2003. However, Turkish hazelnuts are rapidly establishing a strong presence in the Hong Kong market and will pose a threat to U.S. market share.

Italy



Although Italy is the second largest producer and exporter of hazelnuts in the world, they are net importers on a value-basis. In CY 2002, Italy exported \$77 million (shelled and in-shell) and imported \$102 million. Most of Italy's exports are destined for other EU countries, where they face stiff competition from shelled Turkish hazelnuts. However, the reprocessing of hazelnuts by Italian firms inflates the trade numbers and skews the overall picture. For more details, please see the [2003 Italy Tree Nuts Annual](#).

Spain

According to GTA, Spain exported \$10.9 million of hazelnuts and imported \$15.6 million. Most of the imports (82 percent) are from Turkey. Spain exports primarily to other European countries with Germany receiving 50 percent of total exports. For more information, please see the [2004 Spain Tree Nut Semi-Annual Report](#).

(The FAS Attaché Report search engine contains reports on the hazelnut industries for Turkey, Spain and Italy. For information on production and trade, contact Kyle Cunningham at 202-720-0875. For information on marketing contact Ingrid Mohn at 202-720-5330.)