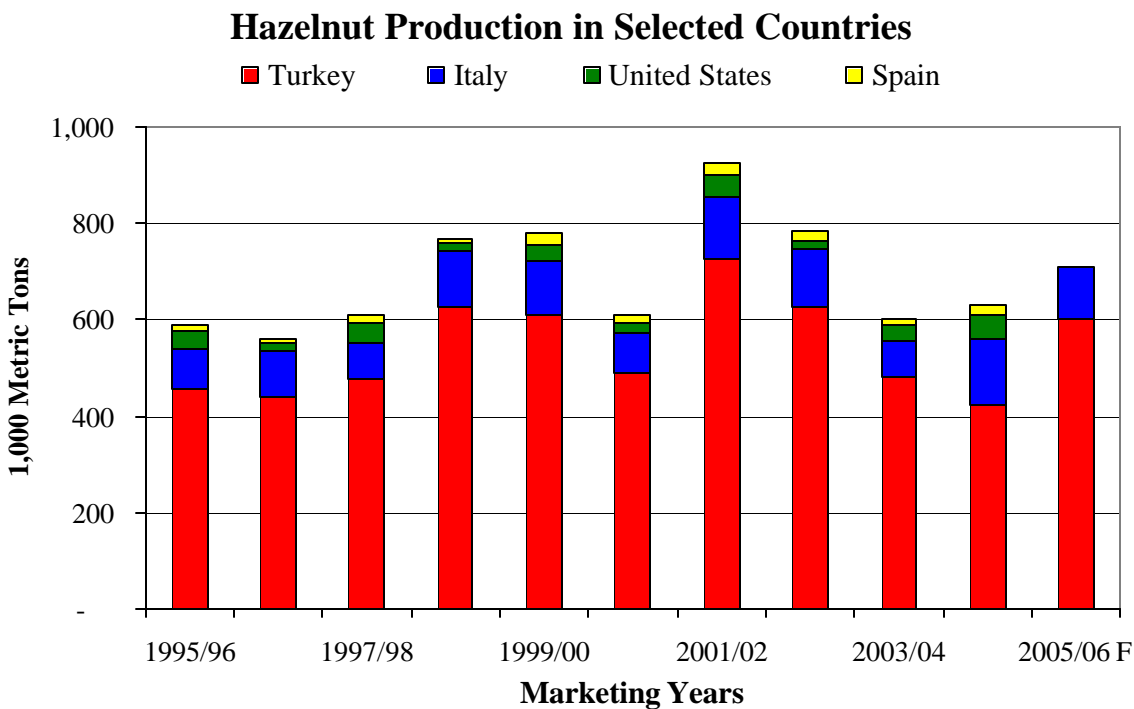


World Hazelnut Situation & Outlook

Production

According to the United Nations Food and Agriculture Organization (FAO), the top five hazelnut producers in calendar year (CY) 2003 were Turkey at 490,000 metric tons (70 percent share of the world's production), followed by Italy (87,000 tons, 12 percent share), the United States (34,000 tons, 5 percent share), Azerbaijan (20,000 tons, 3 percent share) and Georgia (15,000 tons, 2 percent share).

The United States Department of Agriculture (USDA) [Production, Supply and Distribution \(PSD\)](#) database contains production, trade, consumption and stock data for in-shell hazelnuts for the United States, Italy, Spain and Turkey. For marketing year (MY) 2004/05, the most notable trends are the continued decline in Turkey's production and the production surge in Italy and the United States. The estimated PSD total production for MY 2004/05 is 623,916 tons, which is up 4 percent from MY 2003/04 due to abundant production in Italy and the United States.

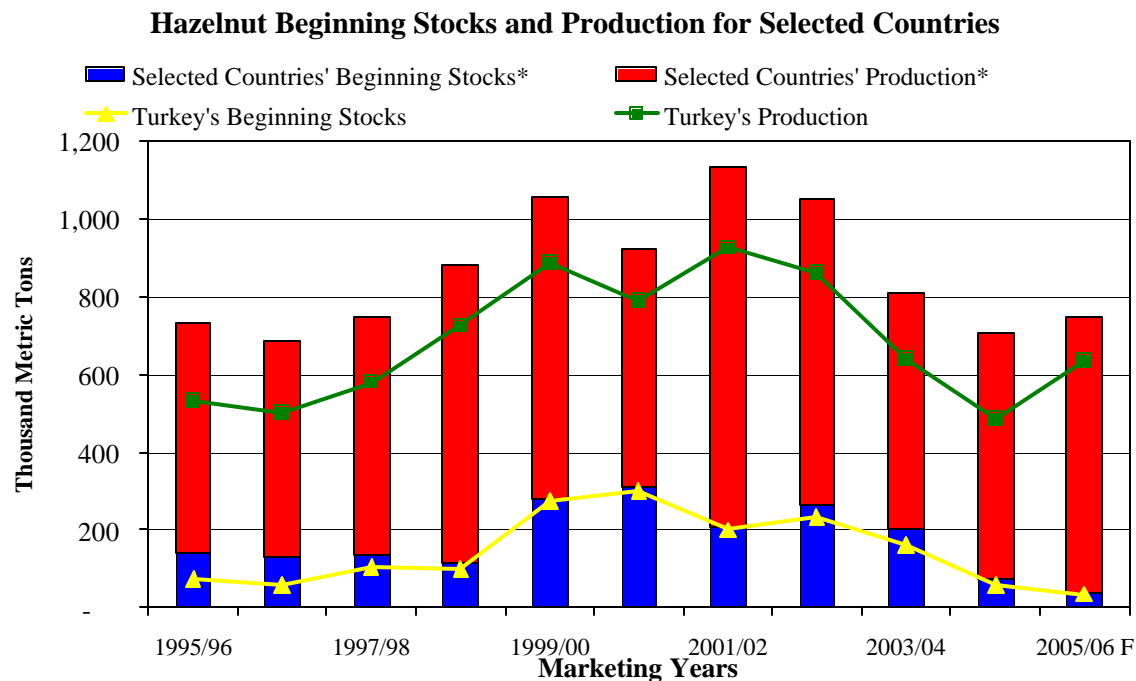


Source: U.S. Agricultural Attaché Reports and USDA National Agricultural Statistical Service.
Marketing Years: Turkey, Italy, and Spain : Sept.-Aug.; U.S., July-June.

For Oregon hazelnut growers, MY 2004/05 was supposed to be an “off-year” in the production cycle. However, the Oregon Agricultural Statistical Service 2004 [hazelnut crop forecast](#) predicts a 16-percent jump over last year's production to 39,916 tons in MY 2004/05. This break in the production pattern comes at an opportune time for U.S. producers, who are benefiting from the decline in Turkish production.

Historically, Turkey has accounted for most of the world's hazelnut production and stocks. In MY 2003/04, Turkey contributed 79 percent of hazelnut production among the countries listed in the PSD database, but in MY 2004/05, Turkey's share of total production fell to 68 percent. The latest round of production declines is due to freezing temperatures in April in the Black Sea region.

Turkey's stocks have declined as well. Over the past two years, FISKOBIRLIK, Turkey's hazelnut cooperative, has not engaged in heavy buying of hazelnuts. As a result, the stocks in the country are reaching low levels. Turkey's low volume of stocks coupled with poor harvests have led to higher global hazelnut prices and greater export opportunities for other hazelnut producers. For further details please see [USDA GAIN Report TU4044](#). For MY 2005/06, production is expected to return to normal levels (600,000 tons) assuming normal weather conditions.



Source: U.S. Agricultural Attaché Reports and USDA National Agricultural Statistical Service.

* Selected Countries include: Italy, Spain, Turkey, and the United States

Marketing Years: Turkey, Italy, and Spain : Sept.-Aug.; U.S., July-June.

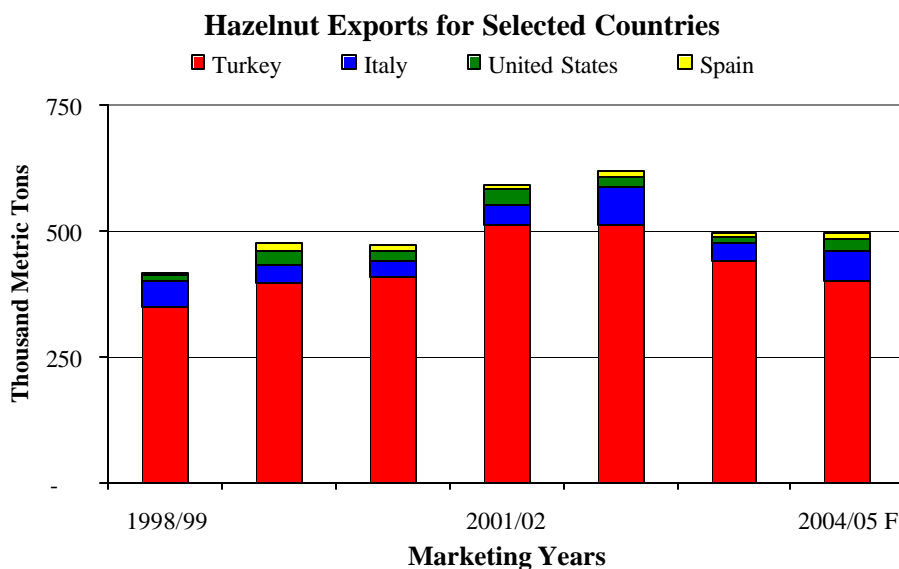
Italy's hazelnut production is expected to rebound in MY 2004/05 after last year's disastrous crop. A return to normal weather and the upswing of the production cycle is expected to boost Italy's hazelnut production 80 percent to 135,00 tons. The down-swing of the production cycle is expected to lower MY 2005/06 crop to 111,000 tons.

Spanish production for MY 2004/05 is estimated to be 9,000 tons, with production for MY 2005/06 forecast at 24,000 tons. Hazelnut production is concentrated in the Catalonia region, which has 93 percent of the total area planted.

Trade

Global Trade Atlas places Calendar Year (CY) 2003 shelled exports at \$571 million and in-shell exports at \$41 million.

Turkey's role in global hazelnut trade has been highlighted by two years of decline following a period of steady growth. Turkey's production and stock are the key drivers in market supply and price. Hazelnut exports peaked in MY 2002/03 at 618,000 tons. An export boom by Italy and sales from Turkey's hazelnut stocks supported this peak. In MY 2002/03, Turkey was in the downswing of the production cycle but had ample stocks to continue the export growth trend. In MY 2004/05, FAS estimates that exports of hazelnuts will remain relatively steady at 494,000 tons.

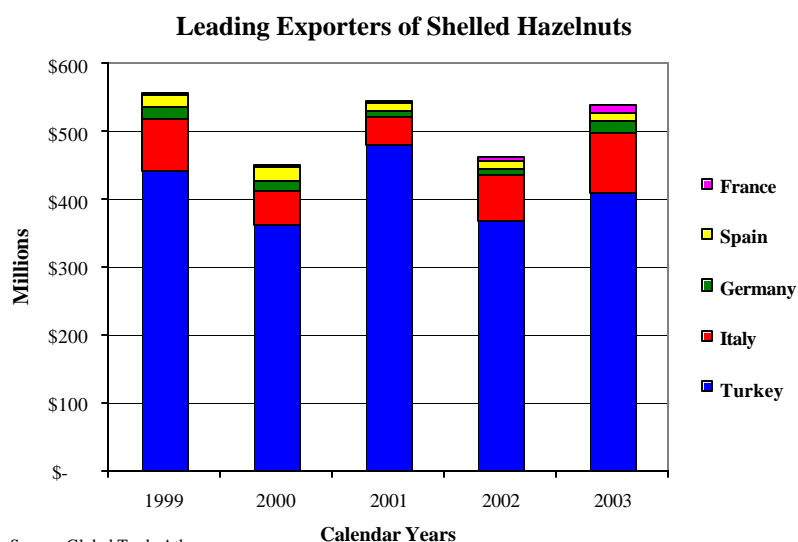


Source: U.S. Agricultural Attaché Reports and USDA Foreign Agricultural Service.
Marketing Years: Turkey, Italy, and Spain : Sept.-Aug.; U.S., July-June.

In CY 2003, U.S. exports of in-shell hazelnuts totaled \$24 million, which is 59 percent of total in-shell hazelnut exports reported in Global Trade Atlas. France and Italy are the second and third leading exporters of in-shell hazelnuts, each accounting for 10 percent of the reported exports.

Turkey

In CY 2003, the Global Trade Atlas places Turkey's shelled hazelnut exports at \$410 million, 72 percent of total reported shelled hazelnut exports. FISKOBIRLIK, the hazelnut sales cooperative, has been procuring hazelnuts at three times the price they paid last year. Hazelnut export prices have soared to \$7000 per ton for raw whole kernel. For further details, please see the [GAIN Report TU4044](#).



Source: Global Trade Atlas

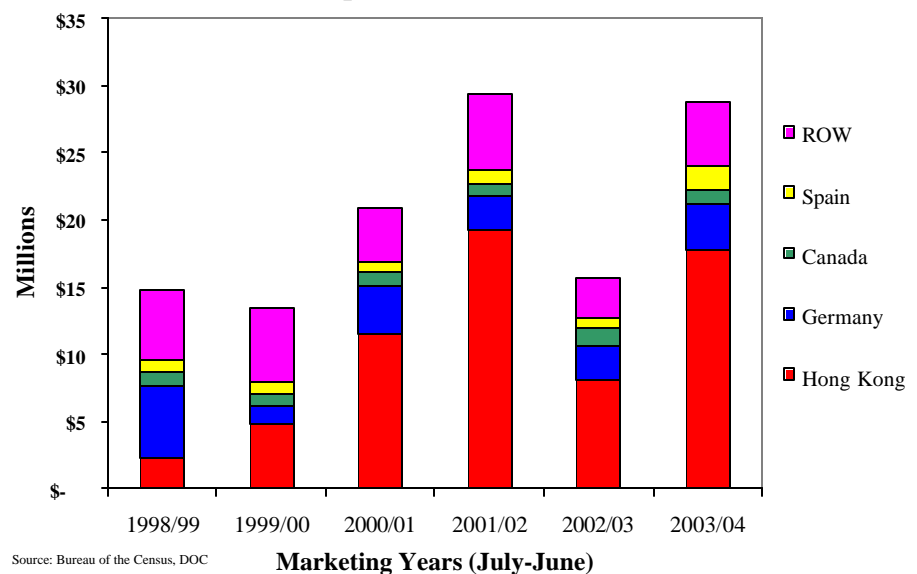
In CY 2003, Turkey exported an estimated \$3.6 million of in-shell hazelnuts; roughly 9 percent of the total in-shell hazelnut exports reported in the Global Trade Atlas. The major destinations were Hong Kong and Germany.

Most of Turkey's hazelnuts are exported in a raw or semi-processed state but this is shifting towards producing consumer ready products. The main market for Turkey's hazelnuts has traditionally been the European Union (EU), but there has been interest in expanding into the Far East, the former Soviet Union and the United States. For further details, please see the [2004 Turkey Tree Nuts Annual](#).

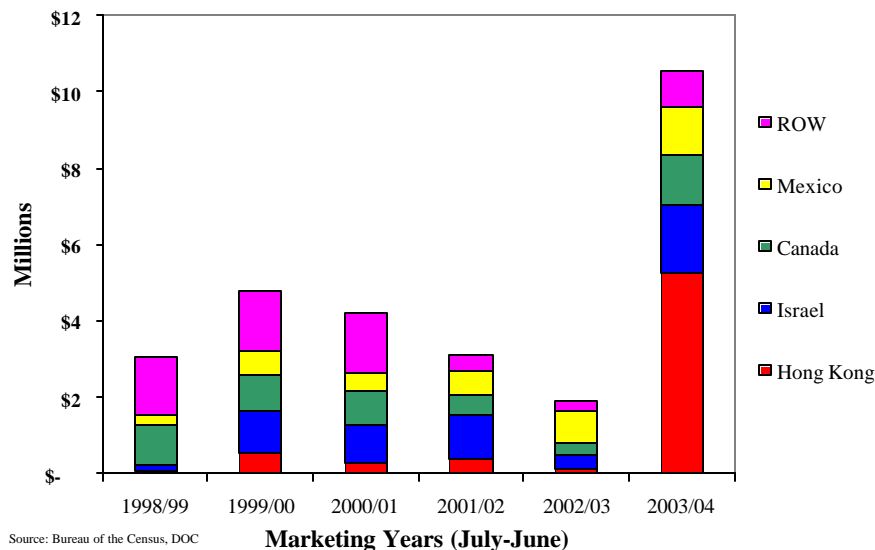
United States

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. However, 2003/04 was a period of dramatic growth in exports of U.S. shelled hazelnuts, which is attributed to the poor supply situation in Turkey.

U.S. Exports of In-shell Hazelnuts



U.S. Exports of Shelled Hazelnuts



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.

Italy

Although Italy is the second largest producer and exporter of hazelnuts in the world, the Global Trade Atlas database shows that Italy is a net importer of hazelnuts on a value basis. In CY 2003, Italy exported \$93 million (shelled and in-shell) and imported \$119 million. Most of Italy's exports are destined for other EU countries, where they face stiff competition from shelled Turkish hazelnuts. The small crop in Turkey is expected to benefit Italy's hazelnut producers by reducing competition domestically and abroad. For further details, please see the [2004 Italy Tree Nut Annual](#).

Spain

According to GTA, Spain exported \$13 million of hazelnuts and imported \$18 million. Most of the imports (74 percent) are from Turkey. Spain exports primarily to other European countries with Germany receiving 48 percent of total exports. For further details, please see the [2004 Spain Tree Nut 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 Khaliaka Meardry 202-720-9903.)