

**Title:** Has the Organic Bubble Burst? Current Trends in Organic Tree Fruit Production

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Is there a bubble for organic fruit? Probably not. Global production of all organic horticultural crops has expanded dramatically over the past several years, increasing 56% from 2005 to 2008, compared to a 10% increase in all organically managed land during the same period (Granatstein et al., 2010). At the same time, organic produce sales in the U.S. increased from 9.8% of all produce sales in 2008 to 11.4% in 2009 despite the economic recession, and represented 38% of all organic retail food sales (OTA, 2010). Over 1.25 million acres of organically managed fruits worldwide were identified in 2008 (Granatstein et al., 2010). Organic grapes were the largest fruit category (371,000 acres) and represented 2.0% of all grape area worldwide. Organic pome (106,000 acres) and stone (88,000) fruits represented 0.7% of their category worldwide. In the U.S., organic apples generated the largest sales value of any organic fruits (\$138 million from 20,000 acres) in 2008, with all organic fruit production valued at \$413 million (NASS, 2009). Washington State had the second highest farmgate value for organic fruits (over \$150 million) after California.

Apples are the most significant organic fruit produced in Washington State. Estimates of regional certified organic apple acreage are provided in Table 1 for 2008. In that year, Washington State accounted for about 75% of the U.S. organic apple acres, with over 90% of the organic apple production occurring in the semi-arid western states. Acreage more than doubled in this region from 2001 to 2010, with little growth east of the Rocky Mountains. In contrast, European organic apple production nearly doubled from 2001 to 2008, much of it occurring in more humid production regions. This is likely a reflection of the significant research investment into organic apple production, the desire to supply more organic products from within the EU, and EU subsidies for organic production.

Organic tree fruit area in the state declined slightly for apple, cherry, and plum in 2010, and increased for pear and other soft fruits (Table 2). The fall-off in transition acres suggests that production will level out and allow demand to catch up, following the doubling of supply that occurred in 2008, similar to what took place in 2001. However, despite the decline in apple area in 2010, fruit sales are ahead of the previous season (as of January 2011), and less organic fruit is being diverted to conventional markets. Thus, while acreage declined some, clearly the 'bubble' has not burst as demand has gone up. Prices have risen some for the 2010 crop, but not to the levels of 2007 and 2008 (Fig. 1), and lower premiums (the difference between the conventional and organic price for the same variety and quality) may be helping to sustain consumer loyalty and increase volume despite the challenging economic times for many people.

In 2009, Grant County had the largest acreage of organic tree fruit (6,700 acres) in the state, dominated by apples. Franklin County had the most acres of organic soft fruit, while Okanogan County had the most acres of organic pears. Nine counties in central Washington had 1,000 acres or more of certified organic tree fruit.

In 2010, 'Fuji' exceeded 'Gala' as the most planted organic apple variety; its area increased while that of 'Gala', 'Golden Delicious', 'Red Delicious', and 'Granny Smith' declined. 'Honeycrisp' acres increased, while other new varieties remained flat. 'Honeycrisp' was bringing average prices (as of Nov. 15, 2010) of \$49 per 42 lb box FOB, the highest price of any organic apple variety. Organic pear price premiums (\$/44 lb box) were near zero in 2004, hit a high in 2006 and have generally declined since then. About 1/3 of the organic pear acres are 'Bartlett' and 1/3 'D'Anjou', representing a substantial increase in the former. Organic cherry prices closely follow the pattern of conventional cherries, but the premium has been shrinking since 2006. Several of the newer cherry varieties (e.g., Skeena, Sweetheart, Chelan) each account for 6-9% of the organic cherry acreage. The reported certified area of Rainier and Sweetheart cherries each declined 20% from 2009 to 2010.

In 2008, Dr. Desmond O'Rourke predicted declining price premiums for organic apples as the percentage of the Washington apple crop sold as organic approaches 12% (O'Rourke, 2009). In 2009, 10% of the apple acres in the state were certified organic, but only 6% of the volume sold was as organic. Estimates for shipments of the 2009 crop showed about 5.9 million boxes sold as organic, with perhaps another 2 million sold as conventional or diverted to other processing markets. The average price for a box of Washington organic apples was \$24.89 FOB, very close to that predicted. With shipments of the 2010 crop exceeding those of the previous year, the organic share will likely move up and according to O'Rourke's calculation, the price premium should decrease. Once organic shipments equal 12% of all state apple shipments, he predicts that the premium for organic will be near zero.

In conclusion, it does not appear that an organic 'bubble' has burst, since there was probably no bubble to begin with. As has occurred in the past, organic apple and cherry acres expanded rapidly in 2008, providing more new product to the market than the growth in demand could accommodate. All apple prices fell for the 2008 crop, with organic prices falling steeper than conventional. Prices rebounded some for the 2009 crop, and organic followed the same pattern despite another increase in organic apple acres in 2009. The organic fruit being diverted away from the organic fresh market is acting as a buffer to the system, keeping the shipped volume below the percentage that the acres represent. In a year when acreage actually shrinks (e.g., 2010), this buffer can help supply demand that continues to grow. In part, these fluctuations result from the three-year transition requirement for organic land. A grower response to a market signal (for example, 2005 entry of Wal-Mart into the organic apple market) takes three years to put product on the market, and by then conditions have often changed. The overall growth of organic produce share nationally confirms that consumers are increasing their purchases of these products despite difficult economic times, and apple, as one of the top selling organic produce items, will continue to benefit from this consumer support.

For more details, go to [http://csanr.wsu.edu/pages/Organic\\_Statistics](http://csanr.wsu.edu/pages/Organic_Statistics) to view the detailed presentation upon which this article is based, as well as other resources on organic production in the state and beyond.

### References

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Table 1. Estimated global area of certified organic apple production, 2008.

Region/Country	2008 acres	% change from 2000/2001
United States	18,465	20
Canada	1,250	56
Mexico	40	--
Europe	57,582	61
Argentina, Chile	6,452	366
China	3,952	--
New Zealand	2,339	-19
South Africa	300	--
<b>TOTAL</b>	<b>90,380</b>	

*Canada value estimated from actual apple area reported plus portion of area reported as "tree fruit". Europe includes. AT, DK, FR, DE, GR, IT, NL, CH TUR, AM, AZ, CZ, EE, FI, HU, LV, LT, PL, RO, GB, UA and UZ. China number from 2005; no update available.*  
**Data Sources:** *FiBL/IFOAM 2008 and, by region - USA: WSDA-OFPP, OTCO, USDA-ERS, CDFA; CAN: COG; EU: AgenceBio, AMA, MiPAAF-SINAB, ZMP, S. Sansavini, USDA-FAS (00); ARG: SENASA, CHL: ODEPA; CHN: Zhou Zejiang, OFDC; NZL: Pipfruit NZ, Bio-Gro NZ, USDA-FAS.*

Table 2. Organic tree fruit area in Washington State.

	----- Certified Acres -----			Growth	----Transition Acres ----		
	2008	2009	2010		2008	2009	2010
Apple	12,936	15,735	14,771	-6%	4,256	2,001	630
Pear	1,713	1,964	2,033	4%	444	154	118
Cherry	1,738	2,437	2,147	-12%	797	150	94
Apricot	107	265	299	13%	479	20	20
Peach/Nectarine	313	1,238	1,251	1%	832	12	16
Plum/Prune	97	130	125	-4%	49	5	0
Mixed stone	78	30	13		164	--	2
Total	16,982	21,799	20,639	-5%	6,721	2,342	880

Figure 1. Organic (top line) and conventional (bottom line) prices for organic ‘Gala’ (top) and ‘Fuji’ (bottom) apples.

