

World Apple Situation and Outlook

SUMMARY

World apple production¹, as a total of Foreign Agricultural Service reporting countries, during marketing year (MY) 2005/2006 (July-June) is estimated to be approximately 42 million metric tons. U.S. apple production is about 4.5 million tons, or 7 percent of the estimated world apple production of 63 million tons as reported by the UN Food and Agriculture Organization.²

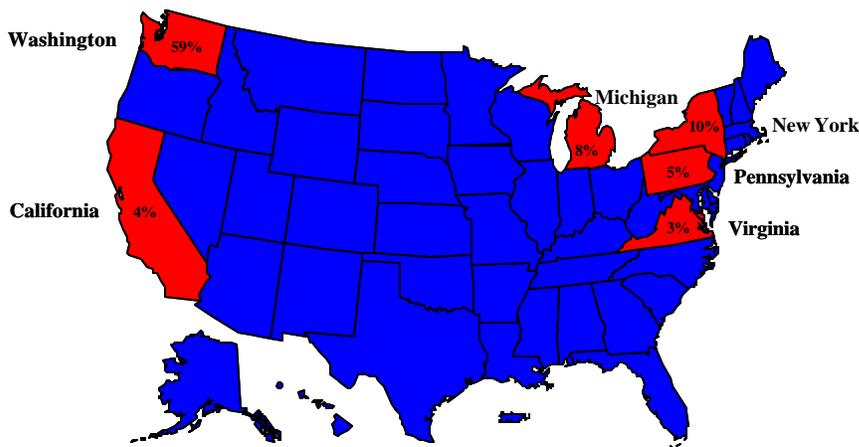
Combined apple exports from major world traders in MY 2005/2006 are estimated to be up less than 1 percent from 2004/2005 or about 4.4 million tons. Trade issues continue to be a significant barrier for U.S. apples in certain destination markets such as Mexico, Taiwan, and India.

PRODUCTION

Apple production in the United States during MY 2005/06 is expected to decrease from the previous year to 4.5 million tons, down 6 percent from 4.7 million tons. The decline is due mostly to a 6-percent decline in Washington apple production (59 percent of total U.S. production), which more than offsets modest increases in states such as California and Michigan. The decline in Washington is mainly the result of the cyclical nature of the apple crop. Below normal humidity levels in Michigan kept disease pressure low while the apple crop was ahead of normal development throughout the growing season, according to the National Agricultural Statistics Service (NASS). For more information go to <http://usda.mannlib.cornell.edu> and select the March 10, 2006, Crop Production report.

Six States Account for Most Apples Produced in the United States

(2005)



Source: USDA National Agricultural Statistics Service

¹ Totals no longer include France, Netherlands, and Belgium due to discontinued reporting requirements.

² <http://faostat.fao.org/>

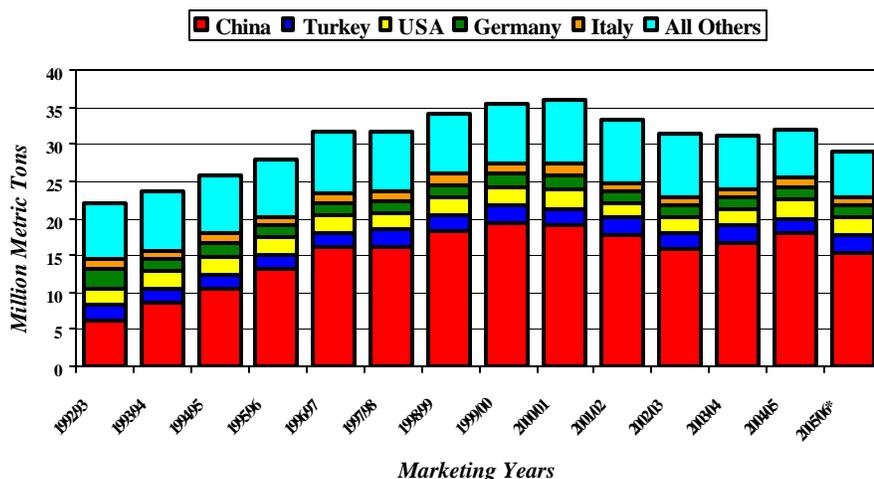
NASS will release the *Non-citrus Fruits and Nuts Summary*³ on Thursday, July 6, 2006, which will provide final utilized production and price figures for 2005.

Apple production in the northern hemisphere is expected to be down 9 percent from 2004/05 mainly due to downward revisions in the Chinese apple crop. (See GAIN #6017) Apple production in the southern hemisphere is expected to post a 3-percent increase in 2005/06 over the previous year. Large increases in South Africa are offsetting declines in Australia and New Zealand. Total world production in select reporting countries is expected to be down over 8 percent to about 42 million tons during 2005/06.

CONSUMPTION

Apple consumption in the United States is expected to be off around 6 percent from last year's levels. Overall, consumers are having more choices than ever before and even with rising incomes are choosing to spend more on value-added food products or more exotic food items versus whole food products like apples, even with availability and lower apple prices. Imports of tropical fruit from Central and South America such as mango and star fruit are competing for the consumer dollar. Globally, apple consumption continues to be stagnant or declining. Overall fresh fruit consumption in many developed countries is increasing with improved availability and choice across the fruit category. The apple, although included in the "Five-a-day" program in a number of these countries, is a maturing segment of the fruit market. New apple

World Fresh Apple Consumption Expected To Continue Decline; China Still Largest Apple Consumer



Source: USDA Agricultural Attaché Reports and the U.S. National Agricultural Statistics Service
* Forecast

varieties are helping to offset this disadvantage, and the U.S. industry has proven very proactive in this regard. Despite ever increasing competition from the snack food industry, the apple industry also continues to market-test new and innovative apple products like ready-to-eat slices. The first shipments of apple slices recently crossed into Mexico, some by the Tijuana border with no problems. Some tariff classification problems were encountered at the Nogales border. Some shipments were coming with a processed classification number (20.08.99). The correct classification number is 08.08.10.01. After the tariff number was changed, apples crossed the

³ NASS discontinued estimates for Arkansas, Kansas, and New Mexico in 2005.

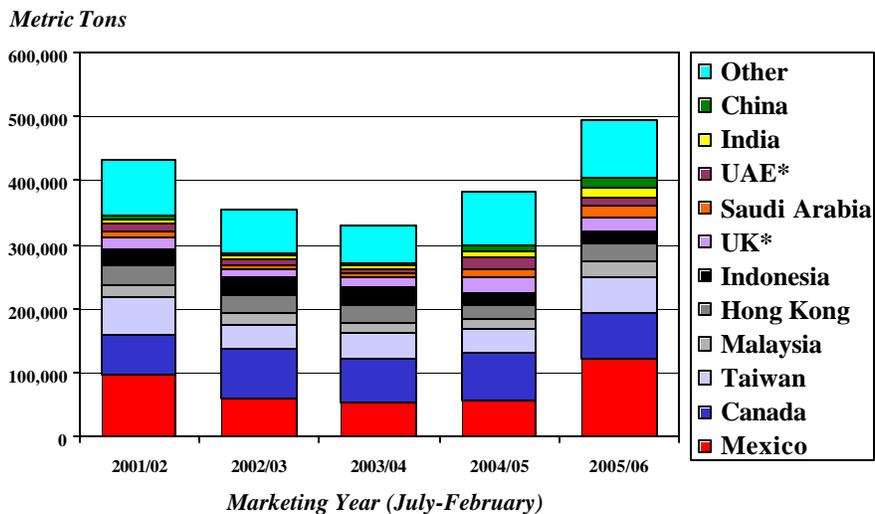
border unhindered. Apple shipments will be visually inspected and must be accompanied by a phytosanitary certificate indicating the product is free of pests.

TRADE

U.S. apple exports strong on excellent post-harvest movement; global pressure eases slightly

U.S. apple export quantities for MY 2005/06 are expected to increase close to 6 percent over last year's large levels. Current MY exports through February show an increase of nearly 30 percent with strong movement into Mexico, Taiwan, and Hong Kong.

**U.S. Apple Exports Showing Good Movement
Through February
(July 2005 – February 2006)**



Source: U.S. Department of Commerce, Bureau of the Census
* UK – United Kingdom, UAE – United Arab Emirates

Mexico

The Pacific Northwest apple industry supplies most of the apples exported to Mexico through the Northwest Fruit Exporters (NFE) structure. The existing antidumping duties apply to shipments of Red and Golden delicious apples, the main varieties exported to the Mexican market. On March 27, 2006, NFE filed a draft proposal with Mexico's Secretariat of Economy (SE) that would suspend preliminary antidumping margins on certain U.S. apple varieties and establish a floor price for product entering Mexico, thereby allowing all companies associated with NFE an opportunity to join in an agreement or pursue an agreement on an individual basis. Negotiations on such an agreement occurred April 18 - 19, 2006.

Canada

Last year, Canadian apple growers began pressing for safeguard measures on imports of U.S. fresh apples, the bulk of which originate from Washington State. Citing low market prices, the growers were reportedly seeking Canadian government action under the Special Import Measures Act, the legislation that governs Canada's countervailing and anti-dumping laws. Canada applied anti-dumping duties to certain U.S. apples in the late 1980's and again in the mid-1990's. The Canadian International Trade Tribunal (CITT) rescinded the 1995 anti-dumping finding in February 2000, and since that time shippers have been exporting Red Delicious apples to Canada with no anti-dumping duty. Some factors supporting this decision included: a small 1999 crop, favorable domestic price trends, decreasing Red Delicious acreage in the United States, efforts to increase U.S. apple consumption, increasing exports to other countries, growth of sales of other varieties, and quality differentials between Washington and Canadian Red Delicious apples.

A new dumping investigation would consider conditions at the time of similar factors in the 2004 crop marketing season. Compared to 5 years earlier, the 2004 U.S. crop was 5 percent less at 4.7 million metric tons. In addition, all U.S. apple exports were down 4 percent, but exports of apples specifically to Canada were up 35 percent to 113,600 tons. The value of these apples was up 50 percent to \$91 million. Compared to the previous year, apples shipped to Canada were 18 percent larger while values averaged 2 percent lower. During the 2003 season, Canada became the top market for U.S. apples, a shift away from Mexico as the traditional top importer.

Taiwan

On Nov. 18, 2005, Taiwan announced the second detection of live-codling moth larvae in a U.S. apple shipment for the 2005/06 season. A third detection ("strike") would have closed the market for the second time in 2 years. Fortunately, a third strike has not been detected and movement of apples into this market has been better than recent years. The bulk of shipments occur September through March. Apple export levels, however, have yet to near the amount of apples shipped to Taiwan prior to the implementation of the three strike policy. The U.S. apple industry has requested that USDA work with plant health officials in Taiwan to develop an alternative to the three strike penalty clause that will address Taiwan's Quarantine concerns, but do not unnecessarily restrict trade.

India

Despite issues relating to fruit wax, apples to India are moving well, up 22 percent through the first half of this market year. For more information on apples to India, see a recent release from the Economic Research Service entitled [Prospects for India's Emerging Apple Market](http://www.ers.usda.gov) at <http://www.ers.usda.gov>.

CAFTA-DR

The administration continues to make significant progress in the phased implementation of the CAFTA-DR agreement. On March 1, 2006, the agreement was formally implemented with El

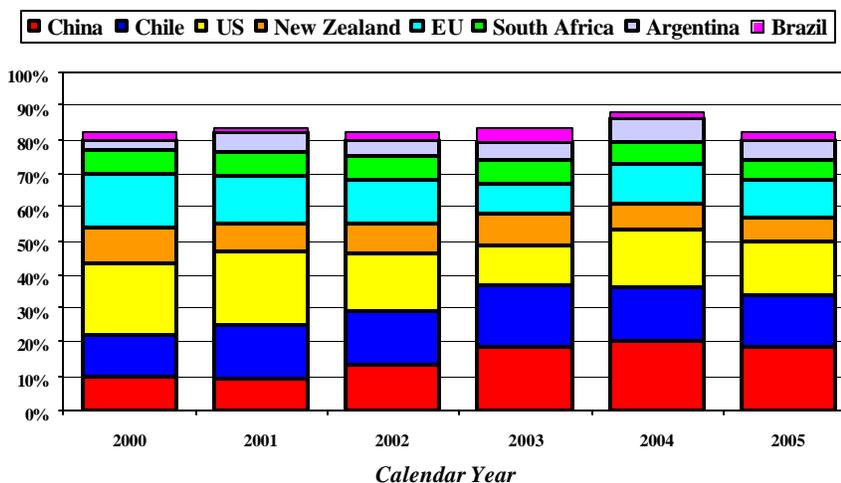
Salvador, making that country the first with which the United States has implemented the accord. Regarding Nicaragua and Honduras, see the Federal Register notice Proclamation 7996 of March 31, 2006, advising of formal implementation beginning April 1, 2006. As for the remaining partners, the United States has held discussions recently with Guatemala and, while notable progress was achieved, the parties continue to disagree over several key elements pertaining to implementation regulations. Discussions will continue, and in the case of the Dominican Republic, implementation talks were held the week of April 3 in Washington, DC, with all parties aiming for a late spring/early summer implementation. Costa Rica has not yet ratified the agreement. The CAFTA-DR countries already represent important markets for the United States, with the combined value of agricultural exports totaling over \$1.8 billion in 2005. The removal under the agreement of the remaining trade barriers will create a range of new export opportunities. The American Farm Bureau Federation estimates that CAFTA-DR could boost U.S. agricultural exports by \$1.5 billion when fully implemented.

China

The United States in recent years has been slowly losing market share to China. China is very proactive in opening additional markets for Chinese apples. China is actively trying to meet EU fruit standards by improving quality, food safety, apple variety, and packaging. After a second assessment of China's apple crop, post has revised down China's apple production expectations. Apple production in 2005/06 is forecast to be down about

15 percent from last year's bumper crop to 20.4 million metric tons. Cold temperatures in late spring appear to have affected a wide area in the northern apple production region. Major producing provinces like Shandong, Hebei, Henan, and Shanxi saw their apple production decline by 10 - 20 percent. Despite the drop in production, fruit quality has improved. As a result of the production decline, apple exports are forecast to be down nearly 8 percent from the previous season to 780,000 tons. With domestic apple prices more than 20 percent over last year, many apples were sold domestically rather than exported.

Global Apple Export Market Share (Quantity)



Source: Global Trade Atlas

(For information on production and trade, contact Heather Velthuis at 202-720-9792. For information on marketing contact Sonia Jimenez 202- 720- 0898. FAS attaché on-line reports on deciduous fruits can be found on the FAS home page at: <http://www.fas.usda.gov/scriptsw/attacherep/default.asp>. Specific data on world production, supply, and demand for apples can be located at http://www.fas.usda.gov/psd/complete_tables/HTP-table6-102.htm. Also, visit our apple web page at <http://www.fas.usda.gov/htp/horticulture/apple.html>

