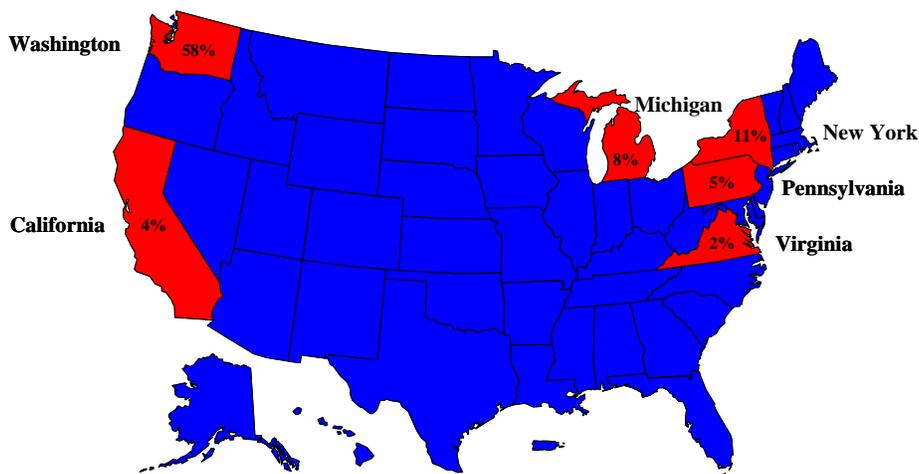


Apple Update

U.S. PRODUCTION

U.S. apple production for the marketing year (July - June) 2006/07 is expected to be unchanged from the previous year at 4.5 million tons. Washington grows 58 percent of U.S. apple production and this past summer, many crops in Washington were affected by hail. This is expected to tighten up the market in an environment of already strong prices. Generally, producers are expected to have a good season. For detailed U.S. statistics see the October 12, 2006 Crop Production report (http://www.nass.usda.gov/Publications/Reports_By_Date/2006/November_2006.asp). Utilized production and price figures for 2006 will be published on January 23, 2007.

Six States Account for Most Apples Produced in the United States (2006)



Source: USDA National Agricultural Statistics Service

CONSUMPTION

Apple consumption in the United States is expected to be down slightly from last year. Consumers continue to have more and more choices across fruit categories including tropical fruit such as mango and star fruit from Central and South America. Apple consumption in China is the main driver of increasing world consumption. Apple production in China has been growing at a pace that fosters increased availability to China's large population. Improving infrastructure and increased cold storage capacity is also helping the trend. Overall fresh fruit consumption in many developed countries is increasing with improved availability and choice across the fruit category.

TRADE

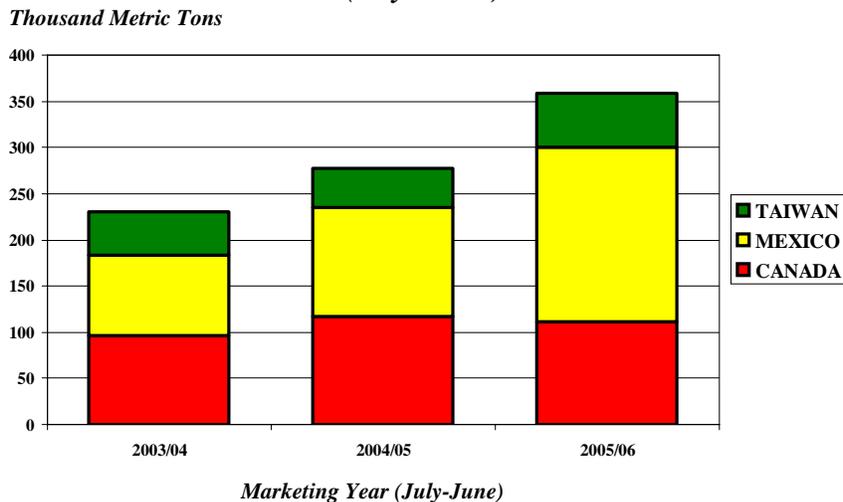
First quarter U.S. apple exports slow on tight supplies and high prices

U.S. apple export quantities for 2005/06 increased nearly 16 percent as good market recovery to Mexico continued. In fact, many shippers were caught short on supplies. However, during the first quarter 2006/07 to-date, apples are off to a slower start over last year with total exports down 28 percent. With the exception of Canada, most all markets are off so far this year. With slightly fewer apples meeting fresh standards, apples used for processing are expected to be up 3 percent from 2005/06. After being short last year, shippers are controlling inventory more tightly this year and this has restricted early season movement. Total apple exports for 2006/07 are expected to be down about 4 percent at 660,000 metric tons.

Mexico

Although U.S. exports to Mexico are off 50 percent compared to a year ago. Mexico eliminated the compensatory tariffs on U.S. Golden-variety apples, a development that Mexican apple growers did not welcome. On November 2, 2006, the final resolution on the Red and Golden delicious apples antidumping investigation related to the court injunction (Juicio de Amparo) promoted by Northwest Fruit Exporters (NFE), was published in the Diario Oficial (Federal Register). The Secretariat of Economy (SE) imposed final compensatory duties on imports of Red and Golden Delicious apples from U.S. origin under HTS 0808.10.01. The 46.58 percent duty, determined during the initial dumping investigation, is still in place for U.S. Red and Golden Delicious apple exporters that are not members of NFE. U.S. apples that are not of the Red and Golden delicious varieties are not subject to any duty. Last year, Mexico signed a trade agreement with China that was expected to open the Mexican market to Chinese apples and give China a competitive advantage as U.S. apples are charged a duty. However, according to FAS/Mexico, imports from China have been just on a trial basis.

**U.S. Apple Exports in Recent Years Show Turn
Around From Previous Declines
(July – June)**



Taiwan

Source: U.S. Department of Commerce, Bureau of the Census

The apple market in Taiwan has been under pressure for years since the 3-strike rule was put into place. Apple exports to Taiwan continue to move despite a second detection of codling moth November 7, 2006 in a shipment of U.S. apples from the Pacific Northwest. Under the export work plan with Taiwan, the U.S. apple industry is permitted only three codling moth detections or “strikes” before Taiwan plant health officials prohibit all imports of U.S. apples. The U.S. apple industry believes that Taiwan’s three-strike import policy is overly restrictive and is not based on science. Taiwan was the third largest market for U.S. apples, after Canada and Mexico in 2005/06, valued at approximately \$50 million, representing about 9 percent of total U.S. apple exports. A discussion on a potential alternative penalty clause to the three strike rule was initiated with Taiwan during the plant health bilateral November 13-17, 2005.

India

U.S. exports to India were up 20 percent last season and are still moving into the market despite the wax issue. USDA continues to press India to approve edible wax (carnauba, shellac, and beeswax) as surface coating for fresh fruit. India is making progress to approve carnauba and beeswax and has stated it will consider approval of shellac in the future. Any proposed labeling requirements are considered trade restrictive; however, India continues to allow imports from the United States. For more information on apples to India, see last year’s 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>.

Imports expected flat

U.S. imports for 2006/07 are expected to be nearly unchanged at 158,000 metric tons. Canada’s draw down on cold storage supplies combined with lower fresh apple output is expected to temper apple imports from Canada somewhat. Canadian imports are forecast up slightly at 160,000 metric tons. Last year at this time, Canadian apple growers were pressing the Canadian government for safeguard measures on imports of U.S. fresh apples (mostly those from Washington State) The Canadian apple industry organizations confirm that there is no active pursuit of trade action against U.S. fresh apples.

(For information on production and trade, contact Heather Velthuis at 202-720-9792. 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/psdonline/psdhome.aspx>.