

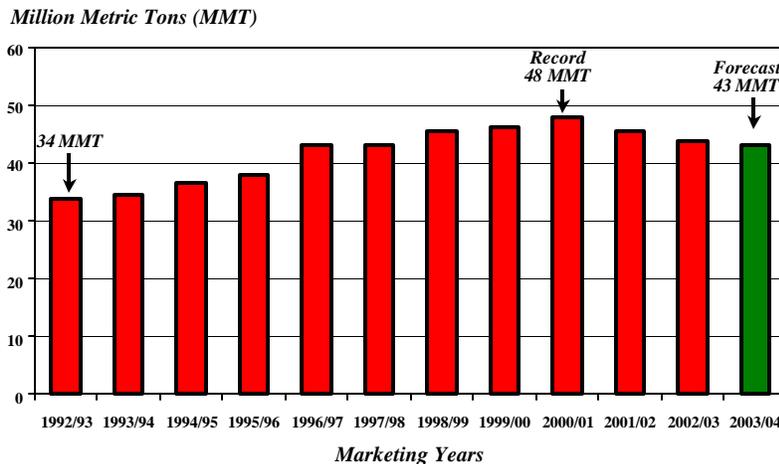
# World Apple Situation

## SUMMARY

World apple production in marketing year (MY) 2003/04 is estimated to decrease for the third season in a row to 43 million metric tons, 2 percent smaller than production last season, and 10 percent below the record 48 million tons set in MY 2000/01. Lower production in the Northern Hemisphere countries, including China, Russia, and Italy, are more than offsetting increased apple production in Southern Hemisphere countries, including Brazil and Chile. U. S. apple production is up 360,000 tons to 4.2 million tons for the current marketing year.

Combined apple exports from major world traders in MY 2003/04 are estimated to be unchanged from last season at about 5.1 million tons. A stable world supply, and weaker U.S dollar, could help to support an expected 7-percent increase in U.S. apple exports in 2003/2004 to 560,000 tons. Despite China's 4-percent decline in production, their exports continue strong and for the first time could surpass projected U.S. exports, reaching 600,000 tons this season, up 20 percent.

### World Apple Production to Decline for the Third Consecutive Season

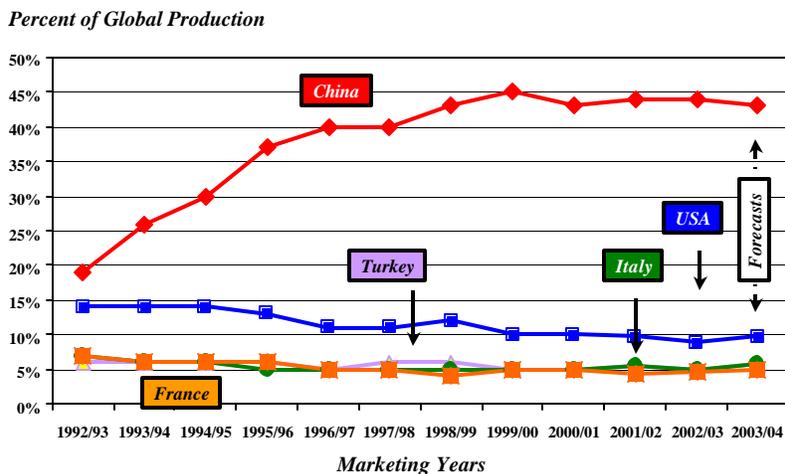


Source: USDA Agricultural Attache Reports and the U.S. National Agricultural Statistics Service.

## PRODUCTION

*World apple production in MY 2003/04 to decline again as acreage continues to decrease in China.*

### China's Share of Global Apple Production Stabilizes



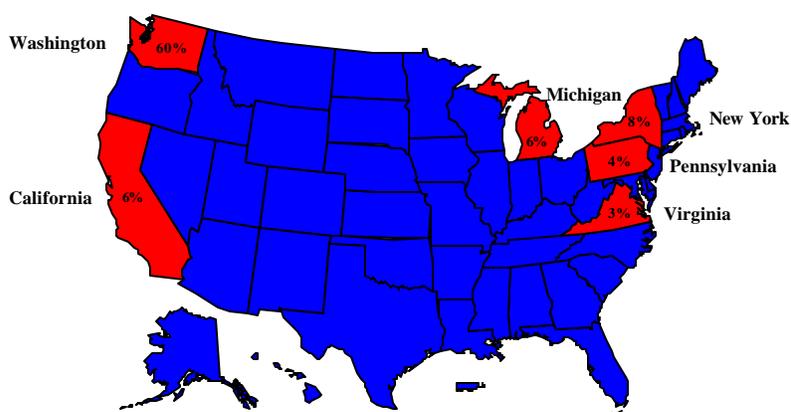
Source: USDA Agricultural Attache Reports and the U.S. National Agricultural Statistics Service.

Global apple production in MY 2003/04 is expected to decline to 43 million metric tons. The reduction mainly reflects lower production in China, down 741,000 tons; the Russian Federation, down 327,500 tons; and Italy, down 221,000 tons. Some other top apple producers, such as the United States, Turkey, and Poland are expecting larger crops this season. Turkey ranks third in apple production, but produces only about 60 percent as much as the United States. Apple production in Turkey for the 2003/04 season is expected to increase 300,000 tons, which is a rebound from previously low levels. Poland, the fourth largest producer, is expected to increase production by 72,000 tons. For more information, see GAIN # TU3023 and GAIN # PL3030.

China is by far the main producer of apples, accounting for about 43 percent of the world's output. The next largest world producer is the United States, producing only about 10 percent of the world's output. In China, government policies toward more diversification of its fruit industry are contributing to reduced apple acreage, since growers continue to replace old apple trees with newly introduced varieties. Public efforts also include increased emphasis on fruit quality, food safety, and improved production techniques. These policies respond to overproduction problems in China's fruit industry and to low domestic and international prices, which have been hampering the income of Chinese apple farmers. This season, prices are beginning to show improvement. For more information, see GAIN # CH3121.

Apple production in the United States is expected to increase after 2 years of decline. At 4.2 million tons, the 2003/04 U.S. apple crop is about the level seen during the 2001/02 season. In January 2004, National Agricultural Statistics Service (NASS) released the *Non-citrus Fruits and Nuts Preliminary Summary*. According to the report, utilized apple production for the 2003 season was up 6 percent. Utilized production for Michigan and New York increased 86 percent and 84 percent, respectively, while Washington's utilized production decreased 12 percent

## 6 States Account for Most of the Apples Produced in the United States (2003)



Source: USDA National Agricultural Statistics Service

compared to the previous year's crop. In Washington, poor weather during pollination led to spotty bloom in some orchards. In Michigan and New York, excellent growing conditions allowed production to rebound from the short 2002 crop. Improved growing conditions in Ohio, Pennsylvania, and Virginia increased utilized production from the 2002 weather-reduced crops. Apple-bearing land in 2003/04 in the United States is estimated at 395,350 acres, compared to about 470,000 acres in 1998/99.

### *Apple industry receives assistance*

The apple industry was included in the 2001 agricultural appropriations bill and received \$100 million in direct federal assistance for losses sustained during the 1998 and 1999 crop years. For losses during the 2000 crop year, apple growers received \$94 million in direct assistance as part of the farm bill. Finally, U.S. growers were granted \$75 million in assistance as part of the 2002 agricultural appropriations bill, bringing the total level of support to \$269 million for 1998-2000.

During fiscal year 2001, USDA provided 2,000 tons of Washington state apples (red delicious, golden delicious, and Gala) to a private voluntary organization under a Food for Progress agreement in Russia. The cost of the apples was \$1,208,578 and total freight cost was \$663,816.

Apple prices over the last 2 years have improved, averaging an increase of about 3.6 cents per pound. However, most of the price increases can be attributed to declines in production.

***Lower apple stocks in the European Union may create market opportunities for exporters***

In the European Union (EU), overall production is estimated to decrease again, as lower apple crops are expected in Germany, and Italy. Decreases more than offset the 135,900-ton increase in Spanish apple production. Last summer's heat and drought shortened the growing season across the EU. Germany, specifically, has been experiencing low profitability in recent years, adding further downward pressure to production levels. Italy, the top apple producer within the EU, experienced production declines of 10 percent.

***Aggregate apple production unchanged for top producers in the Southern Hemisphere during 2003/04***

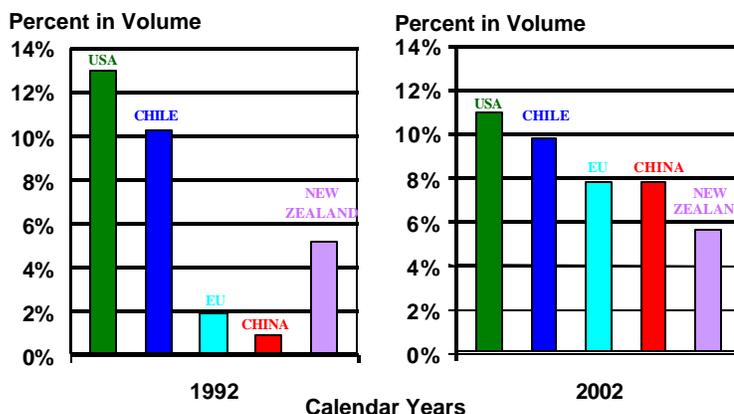
Combined production of apples during calendar (CY) 2004 in the main producing countries of the Southern Hemisphere, including Argentina, Australia, Brazil, Chile, New Zealand, and South Africa, is expected to be about unchanged from the previous year, with an aggregate increase of only 66,000 tons. However, several countries are expecting major changes in production. The Brazilian apple crop this year is forecast to be a record 970,000 tons, but this is offset by declines in both Australia and Argentina. Argentina experienced some very unfavorable weather during the season and, as a result, both the level of production and the quality of the crop are expected to suffer. Australian apple production is expected to decline 18 percent. A shortage of water for irrigation due to extensive use last season combined with already very low soil moisture levels will pressure production. Compared to CY 2003, Chile, New Zealand, and South Africa are all expected to post moderate two to five - percent increases in production.

**TRADE**

***Combined world apple exports in 2003/04 mostly unchanged from a year ago.***

Combined apple exports from major world traders in MY 2003/04 are estimated at about 5.14 million tons, near the 5.15 million tons estimated last season. However, the United States is slowly losing market share to countries like China and the EU-15 (not including intra trade – most EU apples are marketed to EU countries).

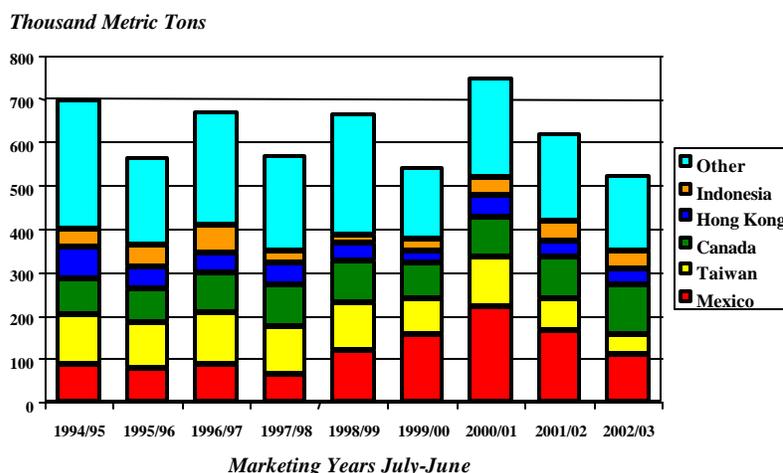
**U.S. Share of World Apple Exports Declines**  
*Share of China and EU-Extra Trade Increasing Dramatically*



Source: Food and Agriculture Organization (FAO) of the United Nations  
 Excludes EU Intra-Trade

U.S. apple export quantities for CY 2003 declined about 8 percent (16 percent during MY 2002/03) with weakness across all top five markets including Mexico, Canada, Taiwan, Indonesia, and Hong Kong. Canada is now the top market for U.S. apples in value terms. However, Mexico, the most important market for U.S. apples, remains the top market in volume despite a drop of 15 percent. Over the years, apple trade between the United States and Mexico has been plagued with problems and disputes. The 2004 applied tariff is zero; however, anti-dumping duties for U.S. red and golden delicious apples remain at 46.58 percent. In value terms, apple exports declined only 4 percent during CY 2003, offset by the increasing value of apples to Canada, on average up \$53 per ton.

### Exports Decline 16 Percent, Leaving Canada the Principal Destination for U.S. Apple Exports



In value terms, the United States exported about 20 percent of the 2003 crop. Fresh market apple production during 2003 was about 2.59 million tons. U.S. apple exports in MY 2003/04, estimated at 560,000 tons, are up about 7 percent. According to the Economic Research Service, the recent movement of world exchange rates is potentially beneficial for U.S. agricultural exports. Apple exports could benefit as the full effects of the depreciation are felt in 2004 and beyond.

China, for the first time, could exceed the United States in exports of apples. Current estimates place their exports at 600,000 tons, up 20 percent from last year. According to The World Apple Report, April edition, China is now challenging France for the top spot among global exporters of fresh apples. France is expected to export 720,000 tons this year.

China's apple production and storage facilities continue to improve. Overseas sales will also be boosted by lower Chinese fruit prices in most export markets. On the other hand, more apple imports by China are driven by the rising purchasing power of urban consumers. In China, incomes are going up in most urban areas, with consumers willing to spend more on domestic and imported fresh fruits. As more quarantine barriers are eliminated and market access

increases, the rising import trend will likely continue. China's apple trade should further expand as China completes trade agreements with other countries. Reportedly, China has initiated trade dialogues with several Southern Hemisphere nations. As bilateral agreements are reached, China will become a likely supplier of out-of-season fruits to these nations and vice versa.

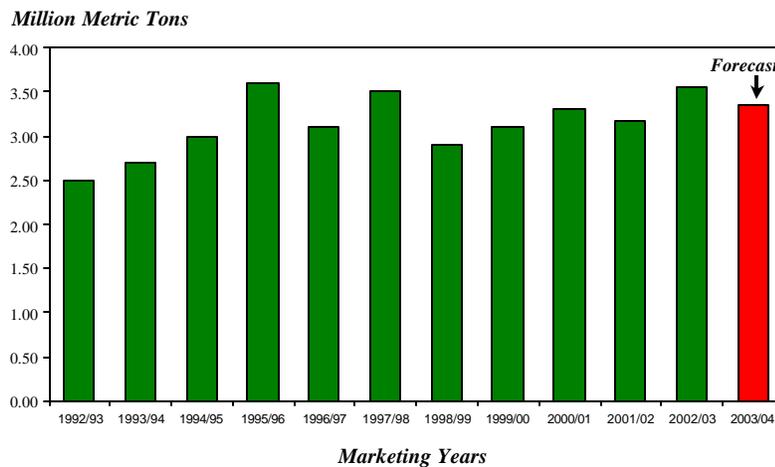
***Canada to allow fresh apples from Brazil***

The Canadian Food Inspection Agency (CFIA) released a plant health directive that details the phytosanitary requirements for the importation of fresh apples from Brazil into Canada. As with other fresh fruit importations from new sources, importation of fresh apples from Brazil is subject to a trial period. According to the CFIA, the trial period is required to verify the absence of quarantine pests through product inspection. Since 2002, Canada has had a similar plant directive allowing fresh apple imports from China. U.S. apple exports to Canada reached 112,363 metric tons during MY 2002/03 and captured about 77 percent of Canada's import market for fresh apples. Chinese apple exports to Canada reached only 427 metric tons in the same period, but are expected to increase in future years. Canadian apple growers are concerned about the potential for increased apple imports from nontraditional suppliers, but many in the industry see it as the new reality.

***World apple imports stabilize***

World apple imports are expected to decline slightly to 3.35 million tons. Fewer apples imported into the United Kingdom, Spain, Italy, and Germany (down of 225,000 tons) offset the 86,000-ton increase to Russia and Belgium and slight increases across other world markets.

**World Apple Imports Stabilize**



Source: USDA Agricultural Attache Reports and the U.S. National Agricultural Statistics Service.

*(For information on production and trade, contact Heather Velthuis at 202-720-9792. FAS attaché on reports on deciduous fruits can be found in 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](http://www.fas.usda.gov/psd/complete_tables/HTP-table6-102.htm).*

*Please note that MY 2003/04 will not contain information on Brazil until next reporting year. However, world totals in this report do include estimates for Brazil. Also, visit our apple web page at*

*<http://www.fas.usda.gov/htp/horticulture/apple.html>*