

MARKET SNAPSHOT  
**APPLES**



June 30, 2020

**Executive Summary**

**Drivers** for the Northwest apple industry include reduced exports, anticipation for a large 2020-21 crop and turmoil in the supply chain.

- Exports are down significantly; inventories won't likely clear before the new crop harvest.
- Growers expect a big 2020-21 crop, similar to current crop volumes.
- A constrained supply chain has led to slower crop movement.

**12-Month Profitability Outlook**



Northwest FCS' 12-month outlook predicts break-even returns to apple growers. Increased supplies and reduced exports have decreased prices. If another big crop is harvested as growers anticipate, prices will remain low and leave many growers with little to no profits.

**Supply**

The 2019-20 crop had 31 million boxes left to ship as of June 8. With harvest expected to begin in under 60 days, current crop inventories could overlap with new crop inventories, which would create supply challenges in some varieties at the start of the 2020-21 marketing season.

Washington State Tree Fruit Association's (WSTFA) June Storage Report shows 76.8% of the crop shipped to date. In the last three years, much closer to 80% of the crop had shipped at the same point in the season. Overall, warehouses are running about 400,000 boxes a week behind the pace needed to clear current inventory before the new crop is harvested.

Supply constraints stemming from COVID-19 include slowdowns at packing warehouses due to mandates aimed at slowing the spread of the coronavirus and reduced exports. Packing warehouses have reduced the number of employees working at the same time to meet social distancing standards, which is slowing efficiency.

Exports dropped over the past few months, which is detrimental to this year's large crop. The industry shipped only 27.8 million, 40-pound boxes of apples overseas from Sept. 1 to mid-May. Two years ago the crop was a similar size, although slightly smaller at 131.7 million boxes, and the industry had shipped about 5 million more boxes to export markets at this point in the season. Exports account for

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20% of the current crop's shipments compared to 28% to 34% usually shipped.

### **2020-21 Crop Outlook**

The Apple Commission has indicated they are basing their budget on an estimated 135 million boxes for the 2020-21 crop. There is concern that cool weather after pollination in some areas may have impacted cell division, causing apples to be a half size smaller. This could lead to a smaller crop; however, many new plantings are coming into full production. With such a large 2019-20 crop, another big crop will challenge the industry.

### **Demand: Shifting Markets**

Due to the pandemic, consumers are making shorter and fewer trips to the grocery store. Consumers want an easier pick up-and-go product; they also view packaged produce as safer. This has led to an increase of bagged apple sales over the more common bulk display. Bagging more apples at the packing warehouse means a shift in operations that has also contributed to inefficiencies and supply-side slowdowns.

Although apple sales saw a small spike at the beginning of the pandemic as consumers were stocking their pantries, it didn't have a large impact on markets. Plus, with exports down, domestic consumers are struggling to absorb the difference.

A recent report by the Washington Commission on International Trade warns many of the state's top export countries will experience a drop in national economic output, leading to lower export demand. Reaching certain markets is becoming more difficult. Each nation is at a different place economically since the advent of COVID-19 according to Desmond O'Rourke, a world apple analyst. But the coronavirus is not the sole worry for exports. Ongoing trade wars

created tariffs in some of Washington's export markets, including India and China.

### **Pricing**

Large supplies have generally kept pricing low through the 2019-20 marketing season. While prices for some varieties are under continued stress, movement and pricing of some of the newer varieties are strengthening slightly. Pricing for older, traditional varieties is projected to remain weak from subdued demand and increased inventories.

### **Profitability**

The 2019-20 crop was large with weak pricing. Increased costs surrounding COVID-19 will reduce returns further. If another large crop is harvested this fall, overall prices will likely remain challenged.

Apples were initially left out of the Coronavirus Food Assistance Program (CFAP). However, the USDA recently adjusted eligibility to include shrinkage. According to Jon DeVaney, president of the Washington State Tree Fruit Association, the state's tree fruit industry experienced 984,000 bushels of shrinkage in May. The USDA will announce more information, including payment amounts, soon. Growers are encouraged to reach out to warehouses for help tracking shrinkage on their crop.

### **Additional Information**

Northwest FCS Business Management Center  
[www.northwestfcs.com/Resources/Industry-Insights](http://www.northwestfcs.com/Resources/Industry-Insights)

USApple Association  
[www.usapple.org](http://www.usapple.org)

USDA Agricultural Marketing Service  
[www.ams.usda.gov](http://www.ams.usda.gov)

Washington State Tree Fruit Association  
[www.wstfa.org](http://www.wstfa.org)

### **Learn More**

For more information or to share your thoughts and opinions, contact the Business Management Center at 866.552.9193 or [bmc@northwestfcs.com](mailto:bmc@northwestfcs.com).

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