



## MARKET SNAPSHOT APPLES

March 31, 2022

### Executive Summary

Drivers for the Northwest apple industry include a smaller, but good quality crop, disrupted trade conditions and solid domestic demand.

- Quality is strong and concerns around storability have subsided.
- Strong domestic demand is making up for lower exports, except for Red Delicious and Gala varieties.
- Rising production, processing and transportation costs will pressure margins for growers.
- A smaller crop means some packers may not have enough throughput to be profitable.

### 12-Month Profitability Outlook



Northwest FCS' 12-month outlook expects profitable returns for growers and slightly profitable returns for packers for the 2021-22 crop. A smaller, high-quality yield, along with reduced imports, bode well for prices; however, reduced exports and rising costs may soften the market and diminish margins.

### Supply

#### 2021-22 Crop

According to Washington State Tree Fruit Association (WSTFA) March 23 reports, 55% of the crop has shipped and there are 54.8 million boxes remaining on hand. Overall, shipping pace is on par with the 2020-21 season; however, Red Delicious and Galas have not moved as quickly as in previous years. These varieties are heavily dependent on export markets and, with disrupted trade conditions, are needing to find a home in the domestic market. Granny Smith, while also a major export variety, has sufficiently counterbalanced lower exports to Asia and Latin America with increases to Canada and Mexico. Apple imports were up both in terms of value (8.3%) and quantity (3.9%) in 2021, but 2022 has seen retail buyers reallocating purchases in preference for domestic production out of concern that shipping delays will damage quality and restrict availability.

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### Apple Imports by Country, 2021 Data

Country	Import Value	Bins*	\$ / 40lb box
Chile	\$81,180,777	205,183	\$22.61
New Zealand	\$50,680,282	85,077	\$34.04
Canada	\$29,447,356	N/A	N/A
Argentina	\$6,069,736	18,776	\$18.47
China	\$3,095,636	11,764	\$15.04
Other	\$578,626	N/A	N/A
Total	\$171,052,413	N/A	N/A

Source: Census Bureau, conversion to bins based on 700lbs./bin.

### 2022-23 Crop

While too early for official estimates, growers will be keeping a close eye on bud count and later bloom over the next couple months to determine if last year's summer heat will impact next season. When stressed, trees will often pull resources forward for fruit production. Water conditions appear sufficient across the region; however, Russia's ban on fertilizer exports is leading to concerns around availability (see [crop inputs snapshot](#) for more information). Additionally, anecdotal evidence suggest that pest pressures (primarily the codling moth) are increasing due to warmer weather patterns and reduced pesticide efficacy. The ratio of acres in organic production to conventional should remain flat next season.

### Demand

Apples remain a staple fresh fruit among consumers due to rising incomes, a focus on healthy lifestyles and targeted industry marketing. Unfortunately, demand has been flat over the last decade. This trend should continue in 2022.

### Export Market

Accessing export markets remains a challenge. The dollar is relatively strong, port congestion and shipping delays persist and the conflict in Ukraine creates immense uncertainty. Competition from southern hemisphere producers in Mexico, the largest U.S. export market, is increasing as fruit typically destined for Russia is diverted to other markets. While grade, quality and color differ from domestic markets, this may put some downward pressure on Gala, Red Delicious and Granny Smith pricing. Taiwan is currently the second largest export market for Northwest producers, though escalating geopolitical tensions with China may eventually put this in jeopardy. Season-to-date exports to the top three markets (Canada, Mexico and Taiwan) are up 6.1%, 7.6% and 7.6% year over year, but in other Latin America and Asia countries down 44.2% and 20.1%.

### Apple Exports by Market

Country / Region	Shipped to Date	% Change from 2020-21
Canada	2,169,306	6.1%
Mexico	4,989,789	7.6%
Taiwan	2,321,091	7.6%
Latin America*	1,770,437	-44.2%
Asia and South Pacific**	3,305,696	-20.1%
Other	512,278	-60.1%
Total	15,068,597	-13.6%

Source: WSTFA March 15 Export Report. Boxes shipped. \*Excludes Mexico. \*\*Excludes Taiwan.

### Pricing

Strong out-the-gate pricing has held this quarter and should continue given limited imports, solid domestic demand and a good quality crop.

### Season to Date Prices by Variety

Variety	2019-20	2020-21	2021-22	Average
Red Delicious	\$15.23	\$17.82	\$19.45	\$17.50
Gala	\$19.64	\$22.70	\$26.06	\$22.80
Fuji	\$21.61	\$22.58	\$24.42	\$22.87
Honeycrisp	\$41.48	\$47.71	\$48.14	\$45.78
Cosmic Crisp	\$72.61	\$58.70	\$40.33	N/A

Source: WSTFA March 22 Report and Annual Growers Review. \*Season-to-date.

### Profitability

According to the Bureau of Labor Statistics, agriculture inputs (fertilizer and pesticides) and long-haul trucking are up 47% and 28% year over year (60% and 38% from pre-pandemic levels). Fertilizer costs in particular are at risk for continued price gains because Russia, a major global supplier, recently banned exports. Further, rising H2A visa rates, minimum wages and labor shortages will increase labor costs. Apple producers should be profitable to finish out the season given strong consumer demand and willingness to absorb higher prices. Packers should on average be slightly profitable, with those whose throughput is sufficient to achieve economies of scale faring better. Unfortunately, a smaller crop this season means some packers will struggle.

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### Additional Information

Northwest FCS Business Management Center

[www.northwestfcs.com/Resources/Industry-Insights](http://www.northwestfcs.com/Resources/Industry-Insights)

U.S. Apple 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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