



MARKET SNAPSHOT APPLES

June 30, 2022

Executive Summary

Drivers for the Northwest apple industry include strong demand and pricing, dwindling supplies of the 2021-22 crop, rising imports and weather impacts on the 2022-23 crop.

- Market demand remains strong despite rising consumer inflation.
- Southern Hemisphere imports should be at or slightly above average levels.
- Cool and wet weather will result in a smaller than average 2022-23 crop.
- Rising input and transportation costs will pressure margins for growers and packers.

12-Month Profitability Outlook



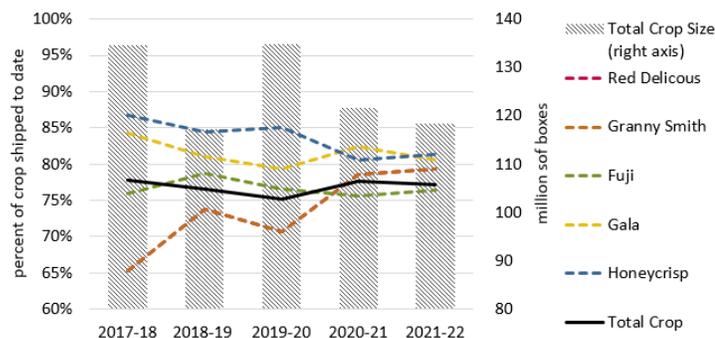
Northwest FCS' 12-month outlook expects breakeven conditions. Supply of the 2021-22 crop is dwindling. Cool and wet weather will likely result in another small crop for the 2022-23 season. While growers and packers with normal to strong volumes should be profitable, many may face insufficient yields and throughput to cover operating and fixed costs. In addition, rising input and transportation costs will continue to pressure margins and reduce competitiveness of west coast products in east coast markets.

Supply

2021-22 Crop

The Washington State Tree Fruit Association (WSTFA) June Storage Report shows 77% of the crop shipped. Movement to retailers is similar to last season and inventories should clear by next harvest. There are some reports of a slight decline in quality that may dampen prices.

Historical Crop Size and Shipping Pace



Source: WSTFA June 2022 Storage Report

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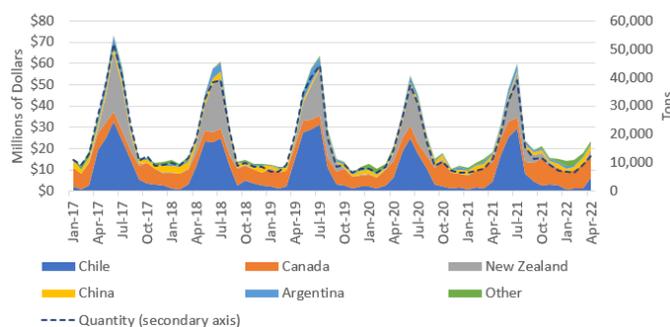
2022-23 Crop

While still too early for official estimates, apples will likely see a 112 – 117 million box crop season, with downside risk at or below 105 million cartons (smaller than average, max production capacity in the Northwest is about 140 million boxes) with generally small fruit. Unseasonably cold weather and hailstorms delayed bloom, limited pollination, damaged tree fruit crops and increased fruit drop (when fruit prematurely falls from the tree and is no longer merchantable). These are in addition to extreme heat during the summer of 2021, which may compound challenges in some areas. Some producers found success using shade cloth to protect against hail, focusing on higher quality varieties such as Honeycrisp. Fire blight is a moderate concern in some growing districts. Water conditions appear sufficient across the region.

International Supply

Apple imports were slightly higher than average in the first quarter due to increased supplies from France. New Zealand should have a similar crop to 2021, with good quality and sizing. Volumes of new varieties are up as the industry continues to transition away from older cultivars. Chilean harvest is projected to be 4.2% below last season due to reduced planted acres. Harvest is behind schedule but is expected to pick up with peak months being May, June and July. High freight costs and supply chain bottlenecks persist, but with a strong dollar and supplies diverted away from Russia, the U.S. will likely see strong imports over the next quarter.

Apple Imports by Country



Source: U.S. Census Bureau

Demand

With inflation at 8.6% year over year in May, consumers are likely to become more selective in their spending. Fortunately, apples remain a staple food item and market demand for domestic fruit is strong despite some decline in quality and rising imports. Total season-to-date exports are up 8.4% over last year, driven by increases to Canada (18.2%), Mexico (4.4%) and Taiwan (17.8%). Every other region saw significant declines.

Pricing and Profitability

Pricing remains strong and should support profitability to finish out the 2021-22 crop.

Season to Date Prices by Variety

Variety	2019-20	2020-21	2021-22
Red Delicious	\$17.77	\$19.02	\$18.50
Gala	\$23.43	\$26.54	\$29.23
Fuji	\$21.90	\$24.18	\$25.48
Honeycrisp	\$48.66	\$49.09	\$47.75
Cosmic Crisp	\$50.77	\$37.42	\$31.34

Source: WSTFA June 19, 2022 Weekly Summary Bulletin Report

Unfortunately, a short crop is expected this year. While this will support pricing, there will be growers and packers without sufficient fruit to cover operating and capital costs, and those businesses will find profits to be elusive. Further, rising input and transportation costs will likely continue, pressuring margins and limiting competitiveness in East Coast markets.

Share your feedback! [Click Here](#) to complete a two-minute survey about this Market Snapshot resource.

Additional Information

Northwest FCS Business Management Center

www.northwestfcs.com/Resources/Industry-Insights

U.S. Apple Association

www.usapple.org

USDA Agricultural Marketing Service

www.ams.usda.gov

Washington State Tree Fruit Association

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.

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