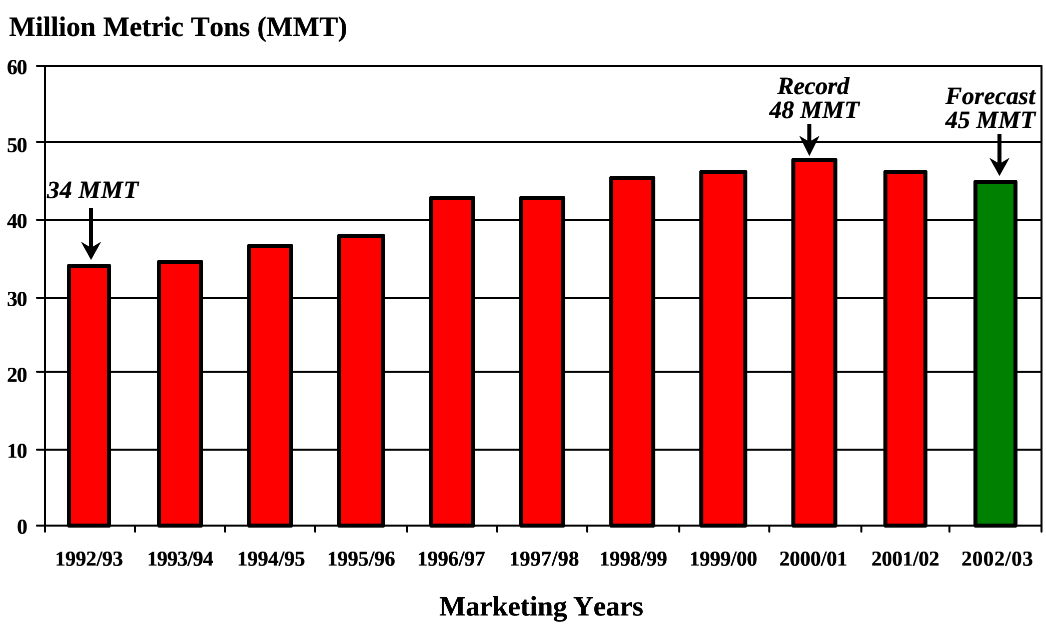
World Apple Situation:
Acreage Continues to Decrease in Major Producing and Trading Countries

SUMMARY

World apple production in 2002/03 is estimated to decrease for the second season in a row. Lower production in China and the United States, the leading world apple producers, are expected to drive the global apple crop to 45 million metric tons, 4 percent smaller than production last season, and 6 percent below the record 48 million tons in 2000/01. Both countries' reduced crops will likely offset increased apple production prospects in other major-producing countries, including Turkey.

Combined apple exports from major world traders in 2002/03 are estimated to decrease to about 5 million tons, down 4 percent from the 5.2 million tons estimated last season. Reduced supplies, higher domestic prices, and a continued strong U.S. dollar will more than likely reduce U.S. apple exports in 2002/03. South Africa's apple exports are projected lower, hampered by reduced stocks. On the other hand, apple shipments from China will continue strong.

World Apple Production to Decline for the Second Consecutive Season



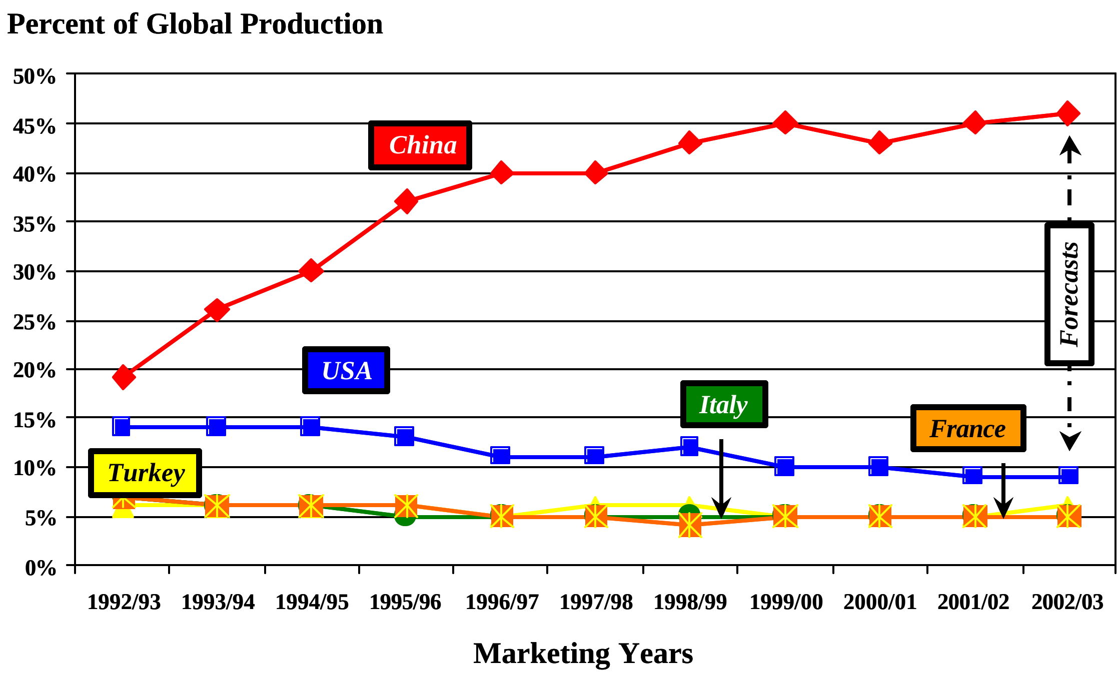
Source: USDA Agricultural Attache Reports and the U.S. National Agricultural Statistics Service.

PRODUCTION

World apple production in 2002/03 to decline again as acreage continues to decrease in China and the United States

Global apple production in 2002/03 is estimated to decrease to 45 million metric tons. The reduction mainly reflects lower production in China and the United States, the leading world apple producers, as planted area in both countries continues to decline. Some other top apple producers, such as Turkey, are expecting larger crops this season. China is by far the main producer of apples, accounting for nearly half of the world's output.

China's Share of Global Apple Production Continues to Expand

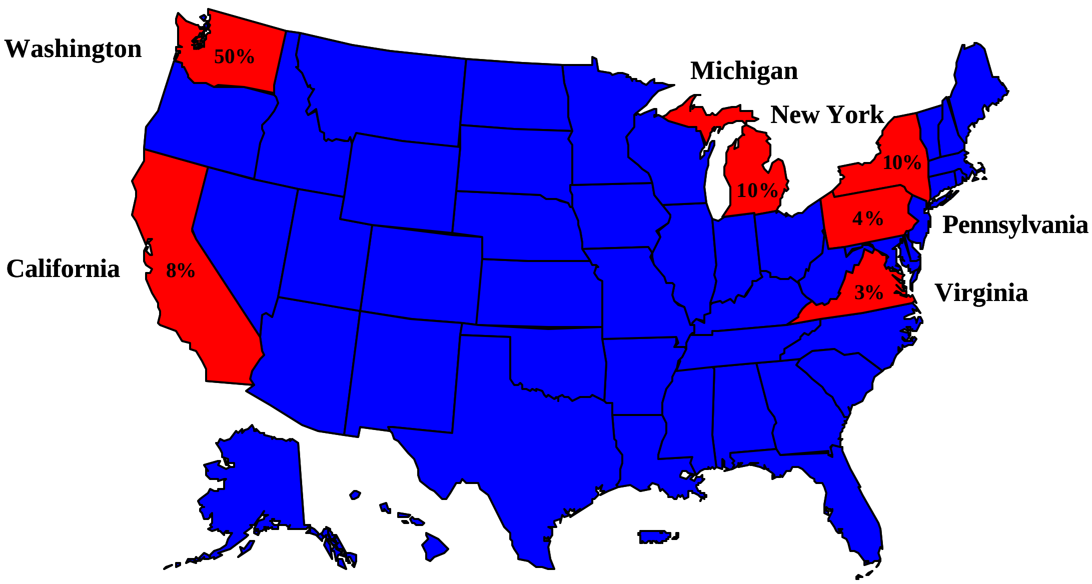


Source: USDA Agricultural Attache Reports and the U.S. National Agricultural Statistics Service.

In China, government policies toward more diversification of its fruit industry are contributing to reduce 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 continuing low domestic and international prices, which have been hampering the income of Chinese apple farmers.

Apple production in the United States is expected to decline for the third season in a row. At 3.9 million tons, the 2002/03 U.S. apple crop could be the smallest since 1988/89, when 3.8 million tons were produced. Decreased U.S. apple production reflects a continue reduction in apple acreage because financial problems have forced some growers out of business. Apple-bearing land in 2002/03 in the United States is estimated at 430,000 acres, compared to about 470,000 acres in 1998/99. The economic difficulties facing the U.S. apple industry are the result of low domestic prices, mainly caused by overproduction, stagnant domestic demand, and remarkably increased imports of lowered-price apple juice from China. Moreover, a strong U.S. dollar and reduced fresh supplies last season lessened the value of U.S. apple exports in 2001/02 to $368 million, 12-percent below sales in 2000/01.

6 States Account for Most of the Apples Produced in the United States



Source: USDA National Agricultural Statistics Service

On the other hand, apple production in Turkey is expected to increase in 2002/03. Turkey's crop, which accounts for about 6 percent of global apple production, is expected to rise for the third-consecutive season, mainly due to favorable weather during most of the season. Even though Turkey's apple acreage has remained unchanged in recent years, production of apples has been boosted by increased yields, the result of better cultivation practices, and the introduction of high-yield varieties. Apples constitute the majority of Turkey's deciduous fruit crop.

Congress approved disaster aid package for U.S. fruit growers

On February 13, 2003, Congress reached agreement on an agricultural disaster package, which includes coverage for all U.S. apple growers who experienced at least a 35-percent loss in the 2000/01 and 2001/02 crops. The agreed-upon measure makes all fruit growers eligible for disaster coverage, unlike the measure previously passed by the Senate in January, which only included program crops. Now, apple growers and other specialty groups who suffered weather-related disaster losses during these seasons are entitled to disaster payments. The payments, combined with better domestic prices this season, are expected to help improve the economic situation of the U.S. apple industry.

Depleting apple stocks in the European Union 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, Italy, and Spain, the EU's leading producers. The reduced crop has largely contributed to depleting apple stocks in the EU this season. EU apple imports, consequently, are anticipated to increase and mainly benefit new crop shipments from Southern Hemisphere countries, such as those from South Africa and Chile.

The apple crop in Germany is expected to be the smallest since 1995/96. Problems with effective pollination and severe frost damage during the growing season have contributed to the reduced 2002/03-harvest in Germany. The situation depleted German apple stock levels, which by December 2002 were 20 percent below the volume of stocks the same time the previous year.

In Italy, heavy rainfalls and hailstorms adversely affected apple crops during the end part of the producing season. Furthermore, exceptionally high temperatures in June in the major producing region of Trentino-Alto Adige affected apple sizes and quality. Similar to the situation in Germany, reduced apple production in Spain has dramatically lowered the volume of domestic stocks and further contributed to the overall stock low situation in the EU.

Top producers in the Southern Hemisphere expecting increase production in 2002/03

Combined production of apples in 2002/03 in the main producing countries of the Southern Hemisphere is expected to increase to 4.4 million tons, about the level registered two seasons ago, but 6-percent short of the record 4.6 million tons registered in 1998/99. Argentina and Chile are the main force behind the expected larger apple crop in the Southern Hemisphere this season.

Production of apples in Chile, the principal producer in the Southern Hemisphere, is expected to increase slightly in 2002/03. The continued devaluation of Chile's currency has caused apple producers to switch to lowered-priced local inputs, reducing their costs of production in peso terms. Consequently, many Chilean farmers have been motivated to improve production techniques and, somewhat, expand acreage.

Apple production in Argentina in 2002/03 is forecast to reach 1.0 million tons, 10 percent more than the volume harvested last season as lower production costs have motivated growers to improve orchard management. Reduced costs of production are in part due to the dramatic devaluation of the Argentine peso, which has virtually stopped imports of production inputs, such as herbicides, fertilizers, and machinery. Imported inputs have been substituted by lowered-price domestic ones and by increased use of cheap local labor, which accounts for a large share of Argentina's production costs. The devaluation has also benefited farmers by enhancing their incomes, as increased apple exports at higher international prices have led to larger profits in peso terms.

Other important Southern Hemisphere producers expecting larger apple crops in 2002/03 include South Africa, where increased harvested acreage will more than likely contribute to the anticipated expansion in apple production in 2002/03.

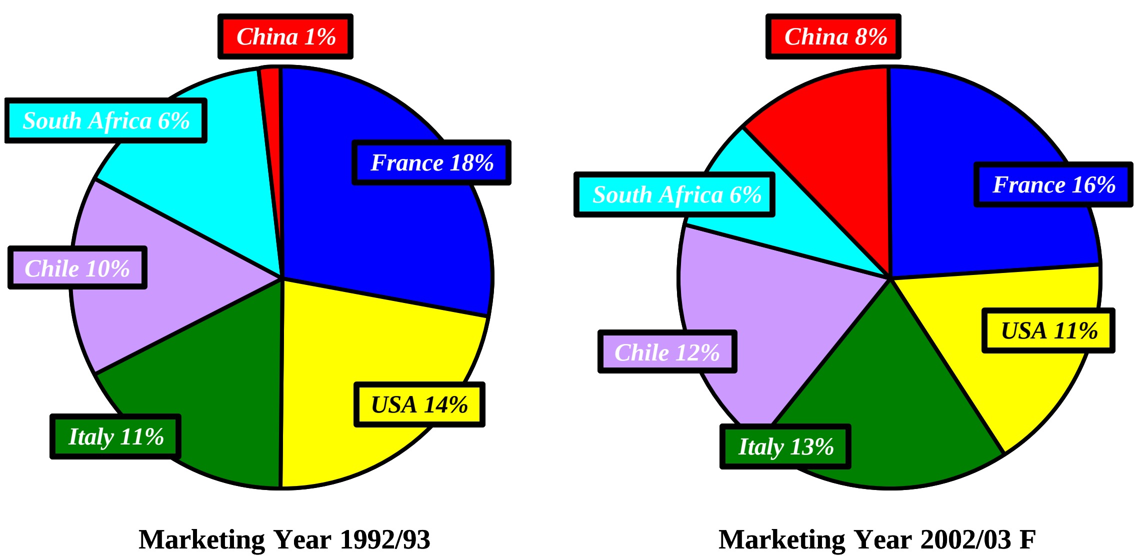
TRADE

Combined world apple exports in 2002/03 slightly below last season's shipments

Combined apple exports from major world traders in 2002/03 are estimated at about 5 million tons, down 4 percent from the 5.2 million tons estimated last season. Reduced supplies, higher domestic prices, and a continued strong U.S. dollar will likely reduce U.S. apple exports in 2002/03 to about 530,000 tons. South Africa's apple exports in 2002/03 are likely to be hampered by reduced stocks. On the other hand, apple shipments from China are expected to continue strong.

U.S. apple exports this season will likely be the lowest since 1999/2000, when exports reached about 540,000 tons. Apart from tight supplies and higher prices, U.S. apple sales have also been affected by limited shipments to Mexico, the top U.S. customer. Over the years, apple trade between the United States and Mexico has been plagued with problems and disputes. Currently, U.S. Red and Golden Delicious apples to Mexico are facing a 46.58-percent antidumping duty. The Mexican duties will be eliminated in 2005.

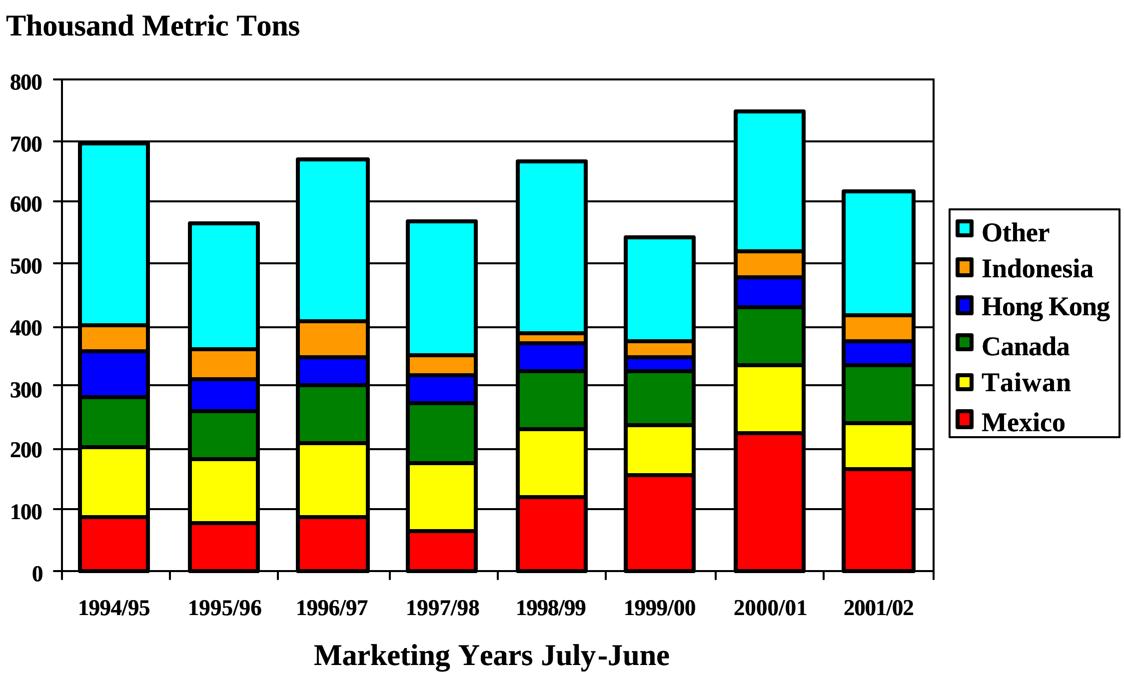
China's Share of Global Apple Exports
Has Increased Dramatically



Source: USDA Agricultural Attache Reports and the U.S. Department of Commerce, Bureau of the Census

South Africa's apple shipments in 2002/03 are expected to decrease from the record 340,000 tons exported in 2001/02. Apple sales from South Africa are facing fierce competition in global markets. Many top producers and traders heavily subsidize their fruit industries, drawing away exports of products from countries with much less public support. The situation has prompted South African growers to request government assistance to help the country's struggling apple industry. On the other hand, South Africa's apple exports may get some much-needed relief when a proposed Russia-South Africa Free Trade Agreement is completed sometime this year. The agreement, when accomplished, should help expand apple shipments to Russia as tariffs are eliminated. Currently, South Africa's fruit exports to Russia pay a 10-percent import tariff. Apples, pears, and kiwis are the major South African fruits exported to Russia.

Mexico Has Become the Principal Destination for U.S. Apple Exports



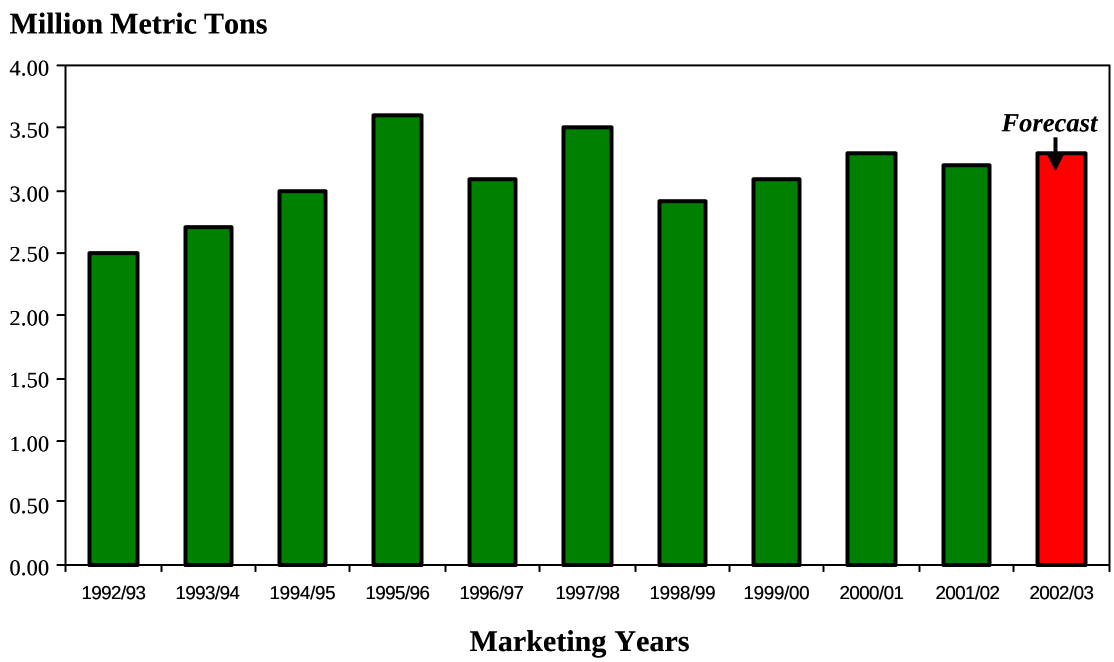
Source: U.S. Department of Commerce, Bureau of the Census.

China's apple exports in 2002/03 are expected to increase again as the country's apple production and storage facilities 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 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.

North Carolina could ship apples to Cuba

During the week of January 13, 2003, Cuban inspectors, together with officials from the USDA, Animal and Plant Inspection Service (APHIS), made an inspection visit of North Carolina food producers, packinghouses, and fruit growers that were interested in exporting food to Cuba. Reportedly, a company in the state obtained a contract to sell apples to Cuba. It is likely that apples from North Carolina, as well as from many other states, will soon be landing in Cuba. Last year, apples from Washington State and New York were exported to Cuba. The United States may now export agricultural products to Cuba under provisions of the Trade Sanctions Reform and Export Enhancement Act of 2000. The act re-authorizes U.S. direct commercial sales of food and agricultural products to Cuba paid in cash and without use of U.S. government programs.

World Apple Imports Have Stabilized



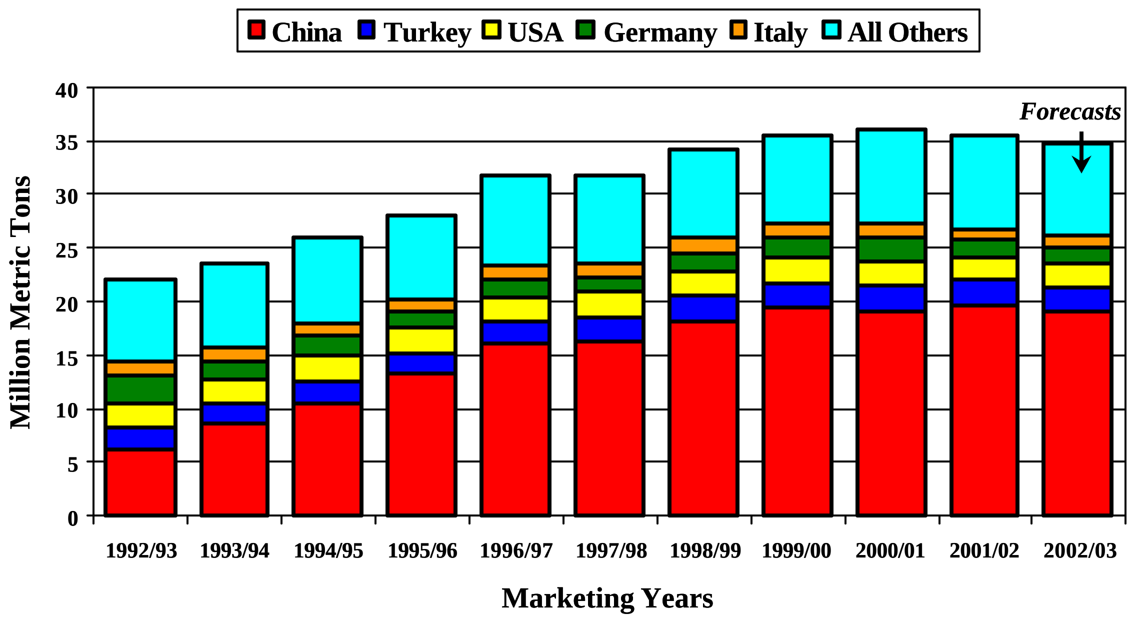
Source: USDA Agricultural Attache Reports and the U.S. National Agricultural Statistics Service.

North Carolina typically ranks seventh in apple production in the United States. Over 300 commercial apple operations on 10,000 bearing acres of apples comprise North Carolina’s apple industry. Forty percent of the state's crop is marketed as fresh apples through packing, shipping, and direct marketing operations, while the remaining 60 percent is utilized in the processing industry, mainly as applesauce and juice.

Canada's trial imports of apples from China increase concern among apple growers in the United States

Eight-container test shipments of Chinese-grown Fuji apples were imported into Canada in December 2002. The shipment was completed under trial access protocols approved by the Canadian and Chinese governments. Reportedly, the government of Canada strictly requested that the apples be grown in orchards approved by the Canadian Food Inspection Agency. The Chinese apples are being sold mainly in the Asian communities living in Canada.

China Also Leads World Consumption of Fresh Apples



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

However, the arrival of this trial shipment has increased U.S. apple industry concerns about the implications of China's potential fresh apple sales to the United States. In recent years, China's exports of fresh apples have increased dramatically, with shipments expected in 2002/03 at 400,000 tons, over 40 percent higher than shipments in the previous two seasons. The U.S. industry's major concern is about the risk of imported apples having pests that could damage the crops in producing states, such as Washington, where more than half of the U.S. crop originates. The trial shipment to Canada may also lead to low-priced Chinese apples ending up in the U.S. fruit market, accentuating the already difficult economic situation the domestic apple industry is facing. A USDA risk assessment for Chinese apples is ongoing, with inputs from the U.S. apple industry.

(For information on production and trade, contact Samuel Rosa at 202-720-6086.. FAS Attaché Reports contains reports on deciduous fruits and can be found in the FAS home page at: http://www.fas.usda.gov. Also, visit our apple web page at ***http://www.fas.usda.gov/htp/horticulture/apples/html****)*

TABLE 1
APPLES: PRODUCTION, SUPPLY, AND DISTRIBUTION IN SELECTED COUNTRIES
(METRIC TONS)

Country/ Marketing Year	Production	Imports	Supply/ Utilization	Exports	Fresh Domestic Consumption	Processed	Withdrawals
NORTHERN HEMISPHERE COUNTRIES							
European Union (EU)							
Belgium-Luxembourg							
1999/2000	562,385	215,408	777,793	432,476	199,386	140,000	5,931
2000/2001	511,640	229,941	741,581	354,285	206,551	140,000	40,745
2001/2002	343,564	236,091	579,655	337,609	177,489	64,400	157
2002/2003 F	351,600	240,000	591,600	340,000	184,100	65,000	2,500
France							
1999/2000	2,165,800	80,300	2,246,100	795,500	990,600	310,000	150,000
2000/2001	2,300,000	95,000	2,395,000	863,000	1,141,900	310,000	80,100
2001/2002	2,055,000	105,000	2,160,000	750,000	1,045,000	310,000	55,000
2002/2003 F	2,140,000	100,000	2,240,000	800,000	1,050,000	310,000	80,000
Germany							
1999/2000	1,936,000	787,692	2,723,692	67,954	1,815,149	838,000	2,589
2000/2001	2,630,802	642,038	3,272,840	72,720	2,080,571	1,108,000	11,549
2001/2002	1,522,433	680,604	2,203,037	66,555	1,599,892	536,000	590
2002/2003 F	1,429,380	750,000	2,179,380	60,000	1,529,180	590,000	200
Greece							
1999/2000	310,000	14,000	324,000	16,000	271,000	2,000	35,000
2000/2001	315,000	14,000	329,000	28,500	249,300	5,500	45,700
2001/2002	260,000	18,000	278,000	20,000	237,000	1,000	20,000
2002/2003 F	220,000	15,000	235,000	16,000	200,000	1,000	18,000
Italy							
1999/2000	2,196,000	33,000	2,229,000	580,000	1,267,000	350,000	32,000
2000/2001	2,267,000	33,000	2,300,000	527,000	1,363,000	390,000	20,000
2001/2002	2,220,000	52,000	2,272,000	659,000	1,232,500	370,000	10,500
2002/2003 F	2,210,000	55,000	2,265,000	660,000	1,235,000	370,000	0
Netherlands							
1999/2000	575,000	338,891	913,891	434,050	317,717	147,599	14,525
2000/2001	500,000	300,528	800,528	360,000	325,528	85,000	30,000
2001/2002	475,000	323,818	798,818	320,000	362,818	96,000	20,000
2002/2003 F	365,000	325,000	690,000	297,000	288,000	89,000	16,000
Spain							
1999/2000	887,000	193,800	1,080,800	57,300	795,000	196,000	32,500
2000/2001	698,500	273,800	972,300	65,000	721,000	165,800	20,500
2001/2002	922,800	176,400	1,099,200	132,000	760,000	175,000	32,200
2002/2003 F	741,900	228,000	969,900	60,000	725,000	165,000	19,900
Sweden							
1999/2000	66,000	86,655	152,655	4,501	143,154	5,000	0
2000/2001	68,000	86,398	154,398	1,328	148,070	5,000	0
2001/2002	63,103	79,349	142,452	1,258	136,194	5,000	0
2002/2003 F	54,000	80,000	134,000	1,100	127,900	5,000	0
United Kingdom							
1999/2000	208,900	460,000	668,900	17,000	615,000	30,041	6,859
2000/2001	162,200	455,850	618,050	13,400	582,450	22,000	200
2001/2002	169,140	429,500	598,640	13,000	541,640	44,000	0
2002/2003 F	134,200	470,000	604,200	13,000	559,200	32,000	0
Sub-Total EU							
1999/2000	8,907,085	2,209,746	11,116,831	2,404,781	6,414,006	2,018,640	279,404
2000/2001	9,453,142	2,130,555	11,583,697	2,285,233	6,818,370	2,231,300	248,794
2001/2002	8,031,040	2,100,762	10,131,802	2,299,422	6,092,533	1,601,400	138,447
2002/2003 F	7,646,080	2,263,000	9,909,080	2,247,100	5,898,380	1,627,000	136,600

continued

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Country/ Marketing Year	Production	Imports	Supply/ Utilization	Exports	Fresh Domestic Consumption	Processed	Withdrawals
Other Northern Hemisphere Countries							
Canada							
1999/2000	582,270	111,428	693,698	66,992	401,706	225,000	0
2000/2001	532,218	120,692	652,910	62,914	404,996	185,000	0
2001/2002	495,000	125,000	620,000	60,000	370,000	190,000	0
2002/2003 F	510,000	130,000	640,000	58,000	382,000	200,000	0
China							
1999/2000	20,801,641	21,532	20,823,173	180,939	19,394,136	1,248,098	0
2000/2001	20,431,230	34,856	20,466,086	281,851	19,159,235	1,025,000	0
2001/2002	21,000,000	49,880	21,049,880	360,052	19,639,828	1,050,000	0
2002/2003 F	20,500,000	60,000	20,560,000	400,000	19,050,000	1,110,000	0
Hungary							
1999/2000	420,000	6,000	426,000	6,000	160,000	260,000	0
2000/2001	700,000	6,000	706,000	7,000	140,000	559,000	0
2001/2002	605,000	4,100	609,100	24,500	135,000	449,600	0
2002/2003 F	470,000	4,500	474,500	20,000	140,000	314,500	0
Japan							
1999/2000	927,700	464	928,164	2,445	777,719	148,000	0
2000/2001	799,600	2,405	802,005	2,246	672,359	127,400	0
2001/2002	930,700	349	931,049	6,546	776,203	148,300	0
2002/2003 F	911,900	1,000	912,900	5,000	762,900	145,000	0
Mexico							
1999/2000	449,866	155,590	605,456	0	514,456	91,000	0
2000/2001	338,245	228,063	566,308	0	496,308	70,000	0
2001/2002	442,679	189,581	632,260	0	542,260	90,000	0
2002/2003 F	465,000	112,000	577,000	0	487,000	90,000	0
Poland							
1999/2000	1,704,000	22,500	1,726,500	187,300	619,200	920,000	0
2000/2001	2,400,800	19,100	2,419,900	205,900	764,000	1,450,000	0
2001/2002	2,806,000	20,000	2,826,000	290,000	736,000	1,800,000	0
2002/2003 F	2,107,000	23,000	2,130,000	200,000	680,000	1,250,000	0
Russia							
1999/2000	964,500	148,435	1,112,935	1,220	493,700	590,000	28,015
2000/2001	1,589,600	334,800	1,924,400	1,555	1,073,505	770,000	79,340
2001/2002	1,227,600	330,950	1,558,550	1,455	770,000	770,000	17,095
2002/2003 F	1,400,000	335,000	1,735,000	2,000	880,000	800,000	53,000
Slovakia							
1999/2000	68,300	34,200	102,500	2,900	76,000	23,600	0
2000/2001	80,000	27,000	107,000	4,000	78,000	25,000	0
2001/2002	87,600	23,000	110,600	5,600	80,000	25,000	0
2002/2003 F	84,500	25,000	109,500	4,500	80,000	25,000	0
Taiwan							
1999/2000	7,970	126,934	134,904	0	134,834	0	70
2000/2001	7,670	135,163	142,833	0	142,763	0	70
2001/2002	8,075	121,912	129,987	0	129,917	0	70
2002/2003 F	9,570	117,000	126,570	0	126,500	0	70
Turkey							
1999/2000	2,500,000	3,559	2,503,559	13,883	2,364,676	125,000	0
2000/2001	2,400,000	1,795	2,401,795	16,504	2,265,291	120,000	0
2001/2002	2,450,000	800	2,450,800	20,000	2,310,800	120,000	0
2002/2003 F	2,500,000	800	2,500,800	25,000	2,350,800	125,000	0
United States							
1999/2000	4,822,010	165,503	4,987,513	540,725	2,427,528	2,019,260	0
2000/2001	4,800,691	163,610	4,964,301	749,142	2,375,658	1,839,501	0
2001/2002	4,276,791	166,539	4,443,330	619,813	2,124,993	1,698,524	0
2002/2003 F	3,900,000	200,000	4,100,000	530,000	2,070,000	1,500,000	0

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Country/ Marketing Year	Production	Imports	Supply/ Utilization	Exports	Fresh Domestic Consumption	Processed	Withdrawals
Sub-Total Other Northern Hemisphere							
1999/2000	33,248,257	796,145	34,044,402	1,002,404	27,363,955	5,649,958	28,085
2000/2001	34,080,054	1,073,484	35,153,538	1,331,112	27,572,115	6,170,901	79,410
2001/2002	34,329,445	1,032,111	35,361,556	1,387,966	27,615,001	6,341,424	17,165
2002/2003 F	32,857,970	1,008,300	33,866,270	1,244,500	27,009,200	5,559,500	53,070
TOTAL NORTHERN HEMISPHERE COUNTRIES							
1999/2000	42,155,342	3,005,891	45,161,233	3,407,185	33,777,961	7,668,598	307,489
2000/2001	43,533,196	3,204,039	46,737,235	3,616,345	34,390,485	8,402,201	328,204
2001/2002	42,360,485	3,132,873	45,493,358	3,687,388	33,707,534	7,942,824	155,612
2002/2003 F	40,504,050	3,271,300	43,775,350	3,491,600	32,907,580	7,186,500	189,670
SOUTHERN HEMISPHERE COUNTRIES							
Argentina							
1999/2000	847,084	13,280	860,364	95,895	324,670	439,799	0
2000/2001	1,330,800	4,397	1,335,197	194,490	357,907	782,800	0
2001/2002	900,000	350	900,350	165,000	375,350	360,000	0
2002/2003 F	1,000,000	0	1,000,000	200,000	380,000	420,000	0
Australia							
1999/2000	319,606	0	319,606	36,279	160,000	123,327	0
2000/2001	285,000	0	285,000	33,857	130,000	121,143	0
2001/2002	295,000	0	295,000	25,393	128,000	141,607	0
2002/2003 F	328,000	0	328,000	35,000	135,000	158,000	0
Brazil							
1999/2000	967,063	43,651	1,010,714	64,480	946,234	0	0
2000/2001	705,515	80,374	785,889	35,786	750,103	0	0
2001/2002	857,340	53,487	910,827	65,927	844,900	0	0
2002/2003 F	825,000	56,162	881,162	72,520	808,642	0	0
Chile							
1999/2000	760,000	60	760,060	387,700	98,360	274,000	0
2000/2001	1,000,000	60	1,000,060	540,516	90,000	369,544	0
2001/2002	1,010,000	0	1,010,000	569,000	110,000	331,000	0
2002/2003 F	1,060,000	0	1,060,000	590,000	130,000	340,000	0
New Zealand							
1999/2000	553,705	95	553,800	333,000	70,000	150,800	0
2000/2001	413,000	23	413,023	260,000	60,000	93,023	0
2001/2002	480,000	70	480,070	325,000	70,070	85,000	0
2002/2003 F	462,000	70	462,070	288,000	72,070	102,000	0
South Africa							
1999/2000	581,200	0	581,200	221,770	140,330	219,100	0
2000/2001	667,730	0	667,730	244,819	248,466	174,445	0
2001/2002	600,000	0	600,000	342,000	150,000	108,000	0
2002/2003 F	680,000	0	680,000	320,000	200,000	160,000	0
TOTAL SOUTHERN HEMISPHERE COUNTRIES							
1999/2000	4,028,658	57,086	4,085,744	1,139,124	1,739,594	1,207,026	0
2000/2001	4,402,045	84,854	4,486,899	1,309,468	1,636,476	1,540,955	0
2001/2002	4,142,340	53,907	4,196,247	1,492,320	1,678,320	1,025,607	0
2002/2003 F	4,355,000	56,232	4,411,232	1,505,520	1,725,712	1,180,000	0
TOTAL SELECTED COUNTRIES							
1999/2000	46,184,000	3,062,977	49,246,977	4,546,309	35,517,555	8,875,624	307,489
2000/2001	47,935,241	3,288,893	51,224,134	4,925,813	36,026,961	9,943,156	328,204
2001/2002	46,502,825	3,186,780	49,689,605	5,179,708	35,385,854	8,968,431	155,612
2002/2003 F	44,859,050	3,327,532	48,186,582	4,997,120	34,633,292	8,366,500	189,670

1/ Data for Northern Hemisphere countries are for July/june marketing year, except for Mexico and France, which are August/July. In the Southern Hemisphere the marketing year begins on January 1 of the second year indicated, except for Chile, wherethe year starts on February 1 of the second year indicated, and New Zealand, where the year starts on October 1 of the first year indicated.

2/ U.S. import and export forecasts are based on trends during recent years, trade contacts, and shipments from July-November 2002.
F= Forecast