

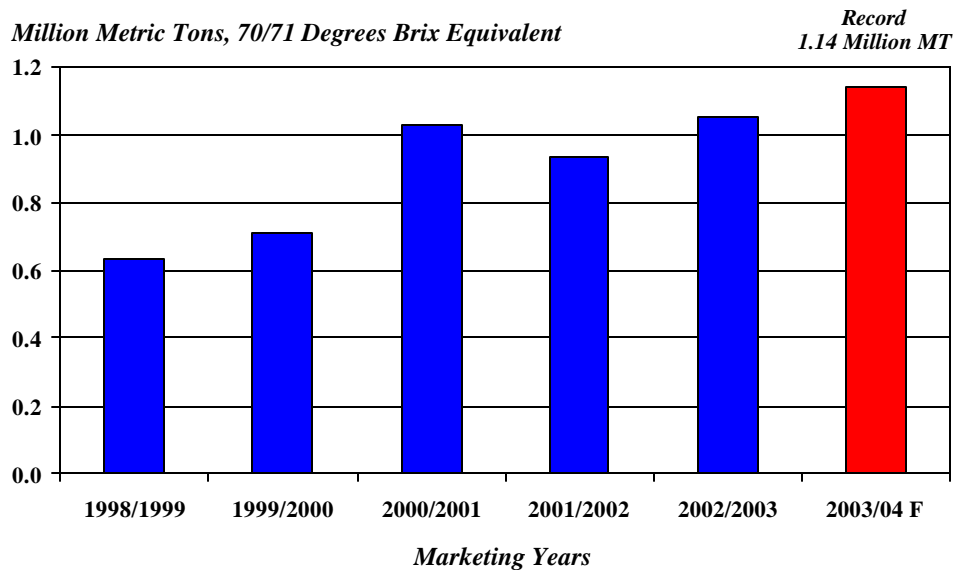
World Apple Juice Situation: *Global Apple Juice Production Sets New Record, Trade To Remain Strong in 2003/04*

SUMMARY

World production of apple juice, at 1.14 million metric tons in 2003/04, is expected to beat last year's 1.05 million-ton-record (70/71 degrees brix equivalent). Global apple juice production in 2003/04 reflects a projected record production in China, the world's top producer. Small production increases in Argentina, Chile, Italy, Poland, and Spain are helping to bolster the world trend by offsetting declines in Germany, Hungary, New Zealand, South Africa, and the United States. The United States is expected to have another year of declining apple juice production, down 6 percent from 2002/2003.

Global apple juice trade is expected to reach record levels in 2003/04. For the first time, world exports of apple juice should reach over one million tons. Selected countries' exports are estimated at 1.06 million tons while imports are projected to reach close to 810,500 tons. Apple juice shipments from China are likely to continue their upward trend and reach a record 462,000 tons in 2003/04, rapidly approaching half of total world exports. Global imports of apple juice will also continue strong as demand from the two major importing countries, the United States and Germany, is expected to increase.

Global Apple Juice Production to Continue Strong in 2003/04



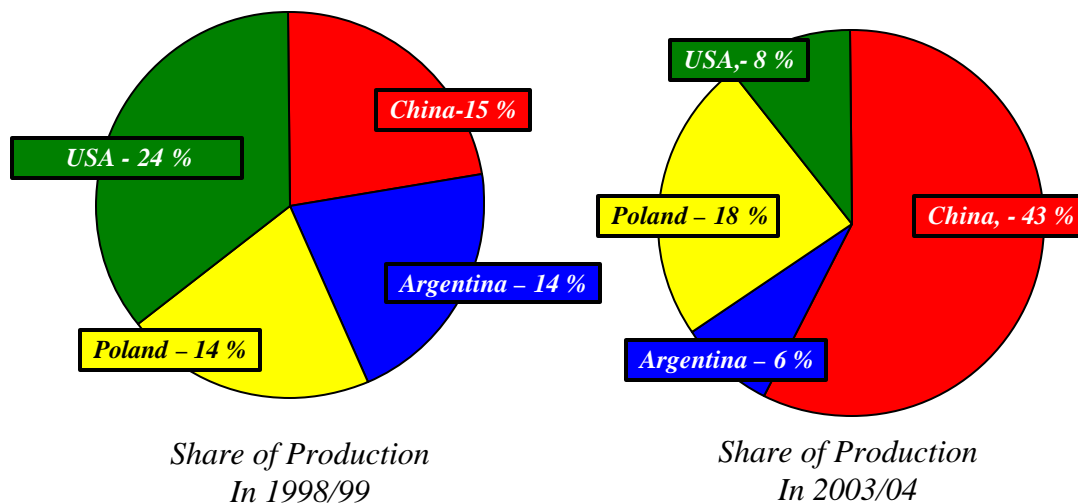
Source: USDA/FAS Attaché Reports and USDA National Agricultural Statistics Service.
F = Forecast

PRODUCTION

Expected record global production driven by China in 2003/04

Combined apple juice production in major producing and trading countries in 2003/04 is estimated at 1.138 million tons, nearly 87,000 tons above the previous season. The increase is mainly due to an estimated increase in Chinese production of 100,000 tons. Previously, China's apple juice industry was somewhat limited by a lack of fruit varieties that were suitable for processing. Responding to growing global demand, China is planting more high acid or "high-sour" apple varieties more suitable for processing into juice. China's apple juice production

China's Share of Global Apple Juice Production Continues To Expand



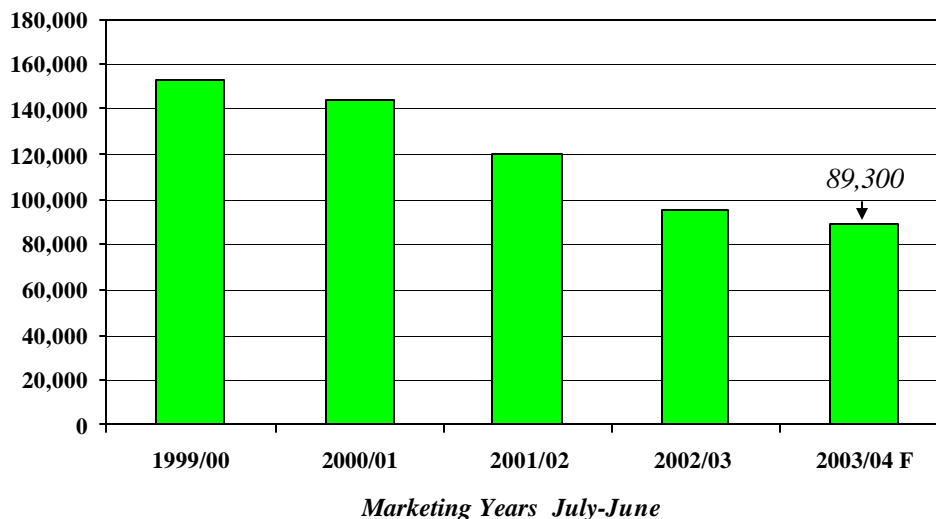
Source: USDA/FAS Attaché Reports and USDA National Agricultural Statistics Service.
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expansion is expected to continue as it seizes new market opportunities and continues to increase high-sour juicing apple plantings.

China's apple juice production is gradually shifting to the western regions of the country, mainly to Shaanxi province. Typically, Shandong province has been the center of apple juice production in China, accounting for about half of the country's annual output. However, during the last few years, many apple farmers in Shandong have been cutting down apple trees and switching to other fruits in search of better returns. Fruit juice plants in Shaanxi are still introducing new processing equipment and expanding their investments. As such, Shaanxi province is expected to soon become the largest apple juice-producing province in China.

U.S. Apple Juice Production To Continue Declining Trend in 2003/04

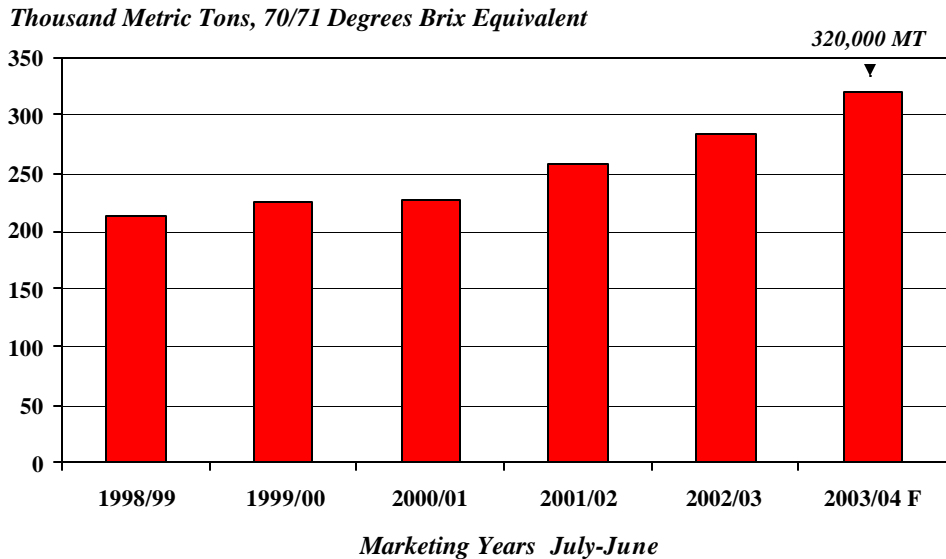
Metric Tons, 70/71 Degrees Brix Equivalent



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

U.S. apple juice production in 2003/04 is expected to continue its downward trend. At only 89,300 tons, 2003/04 U.S. apple juice production will likely decline for the fifth consecutive year. Apples in the United States utilized for processing during 2002 declined 20 percent to 3 billion pounds. The National Agricultural Statistics Service (NASS) will publish estimates for 2003 on July 7, 2004. Reduced supplies of processing apples, less attractive prices for processing fruit, and increased imports of lower-priced apple juice have been hampering U.S. apple juice production in recent years.

U.S. Imports of Apple Juice To Continue Increase in 2003/04



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

In the United States, few apples are grown just for juicing. Most juice apples are culled fruit from fresh packing lines. Moreover, returns or profits to growers from processing apples are generally lower than fruit directed to the fresh market. Of utilized apple production in 2002, about 17 percent went into the juice and cider market. Also, of apples not utilized for the fresh market, 36 percent were canned, 49 percent were processed into juice or cider, 6 percent were frozen, and 7 percent were dried. NASS will publish 2003 numbers on July 7, 2004 at www.usda.gov/nass/pubs/reportname.htm#Noncitrus_Fruits_and_Nuts_Summaries

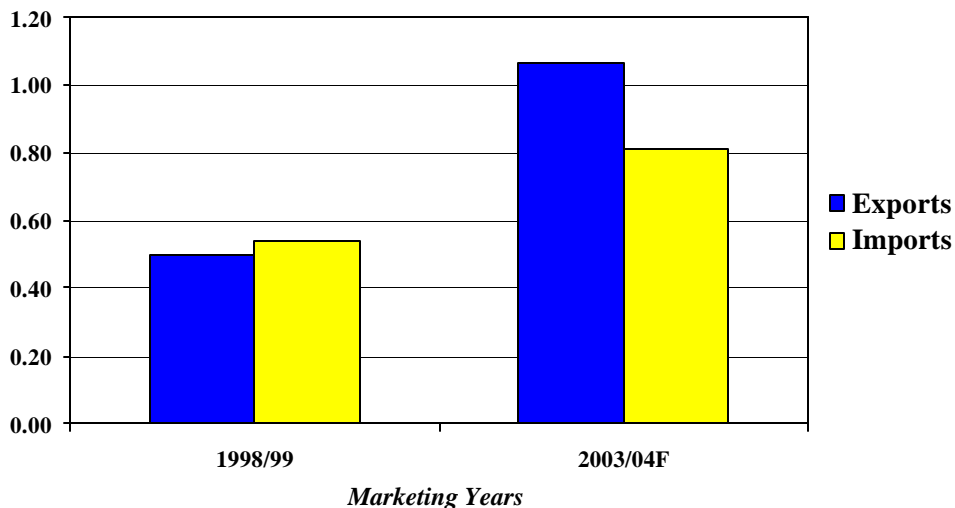
TRADE

World apple juice trade growing rapidly

Global apple juice trade is expected to reach record levels in 2003/04. Exports from selected countries are estimated at 1.062 million tons while imports are projected to reach 810,500 tons. The increase is due not only to growing demand for pure apple and blended juice beverages, apple juice is also used as an additive in cosmetics and various types of medicines. Germany and the United States, the two largest importing countries, are expected to import 420,000 tons and 320,000 tons of apple juice in 2003/04, respectively. China and Poland are the two largest exporters. China, although shipping more high acid apple juice, mainly exports low acid apple juice concentrate, and Poland ships mostly medium and high acid apple juice. High acid apple juice is in particularly high demand in Japan and European markets.

World Trade in Apple Juice Growing Rapidly

Million Metric Tons, 70/71 Degrees Brix Equivalent



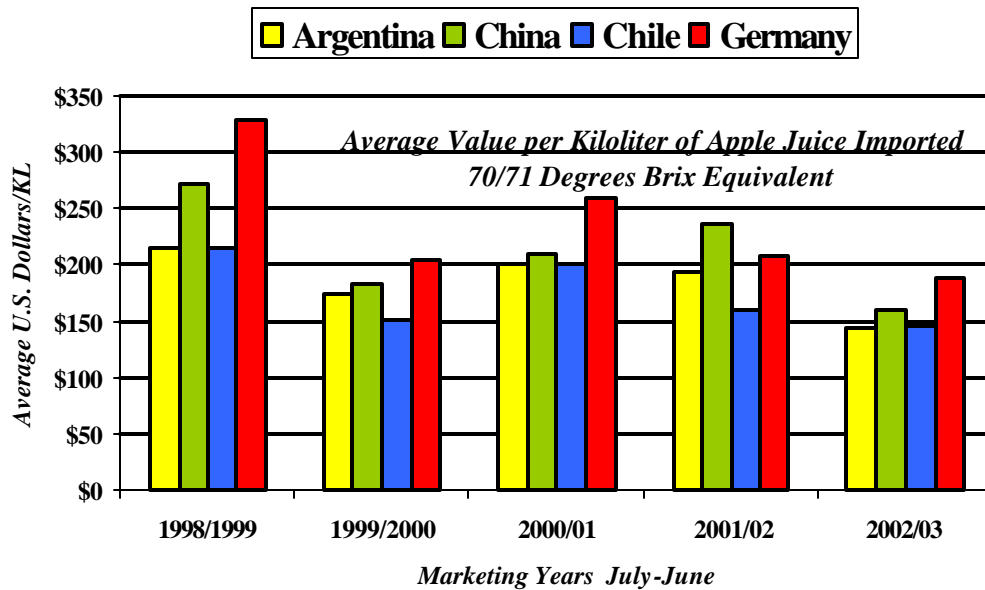
Source: USDA/FAS Attaché Reports and USDA National Agricultural Statistics Service.
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This season's apple crop in Poland, the second largest producer, is expected to be larger than 2002/2003 and therefore bolster the amount of apples processed into juice. With larger supplies, Poland can offer better prices and is expected to be able to export slightly more juice. The United States is the third largest producer, but with lower U.S. production and increased global production, exports are going to decline, perhaps by over 20 percent. Argentina currently ranks fourth in terms of production levels. Its larger production, combined with the long-lasting effects of their currency devaluation, will help to support larger exports, up 400,000 tons from last season. Apple production estimates, for fifth-ranked Germany, were revised downward due to last summer's heat and drought. The resulting depressed fruit growth combined with an early harvest ultimately caused more apples to be diverted to processing for juice, up 12,500 tons. Exports, although still below the previous year, were boosted 4,000 tons from the pre-drought estimate. Chile's production levels mainly reflect foreign demand. Apple export levels drive increases in juice production. The greater the amount of apples exported, the more that are rejected and channeled into the juice market. Because the juice market has recently become saturated, industry has begun to focus more on quality by encouraging farmers to increase production of sour-type apples. Industry is also shifting to more direct contracting, in contrast to using culled apples grown for the fresh export market.

The United States will remain a strong consumer of imported apple juice

The United States is expected to remain a net importer as U.S. import demand for apple juice continues its upward trend. Apple juice imports in the United States in 2003/04 are estimated at a record 320,000 tons. U.S. imports are mostly concentrated non-frozen. Argentina, Chile, and China are the major suppliers of apple juice to the United States. Apple juice imports from Argentina and Chile are, on average, the lowest-priced options to U.S. importers. In response to industry complaints about the surge of low-priced apple juice from China, on May 15, 2000, the United States imposed antidumping duties on all imports of Chinese non-frozen apple juice concentrate. The duties assessed range from 9 - to 52 percent. The antidumping duties will be in effect until 2005.

Low-Priced Apple Juice From Argentina, Chile, and China Bolster Import Quantities



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

(For further information on supply, distribution, and trade, contact Heather Velthuis at heather.velthuis@fas.usda.gov)

