2013/14

Organic Apple Market Update

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"The Best Apple Flavors On Earth."
Topics of Discussion

1. National crop holdings
2. Organic Apple Production Trends
3. 2013-14 Market Conditions
4. Gross Revenue Overview for Organic and Conventional Apples
5. Factors influencing the market
6. Summary
National Crop Holdings

- Washington State is the leading national producer of apples and organic apples.
- In 2012, Midwest and Eastern producers had extensive crop loss due to frost, while WA had its largest crop ever. Thus, WA played a more dominant role than usual in apple supply and storage.
- In 2013, the WA crop was down (an “off year”) while those regions affected by frost last year had very large crops.
- There are 3 million more cartons of apples on hand in the U.S. as compared to last season. This is a 2.3 % increase.
- WA State has 11.77 million less cartons of apples on hand as compared to last season. This is a 9% decrease.
- The following slide shows the distribution of apples in storage as of Jan. 1 for this year and last, and how WA share and volume has decreased.

Note: A carton (ctn) = 40 lb box of apples. A ‘car’ contains 1000 boxes.
Total US Apple Holdings as of Jan. 1, 2014
2013 vs 2014
All utilizations

All Varieties 2013  126,029M Ctns
- NE States: 109,754 (87%)
- SE States: 11,612 (9.22%)
- MW States: 4,088 (3.25%)
- NW States: 40 (0.03%)

All Varieties 2014  129,127M Ctns
- NE States: 97,997 (76%)
- SE States: 15,093 (13%)
- MW States: 3,637 (3%)
- NW States: 11,162 (9%)

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Organic Production Trends

- The following slide shows the increased in shipped volume (1000 box cars) of organic apples from WA state, despite a decline in certified acres from 2009 to 2012. Acreage increased slightly in 2013.

- Over 8.3 million boxes of organic apples were sold from the 2012 crop. That level will not be reached with the smaller 2013 crop. This is especially evident for ‘Fuji’ apples, the second best selling variety after ‘Gala’.

- The shipment pattern for all apples over the season was similar in recent years except for the higher volume in 2012/13. In contrast, shipments for the 2013 organic apple crop have been higher than expected (presumably due to growing demand) but will have to fall off quicker due to depletion of supply in storage.

- Organic apples in storage as of Jan. 1 were 40% lower in 2014 than 2013, due to the smaller crop and the higher rate of shipment early in the season.
Conv. Apple shipments are similar to previous years when we (North America) had similar production volume.
Organic Apple shipments were much higher than anticipated.
Jan. 1 Organic Apple Holdings

Record organic Apple shipments combined with a short crop have left us with only 3.4 M cartons remaining on hand as of Jan. 1, 2014.
The hardest hit were Organic Fuji holdings which are down nearly a million cartons from last year at this time.
Market Conditions
2013/14

• Prices for conventional apples have declined from the 2012 crop level as national supply has increased and more competitors are in the market. On average, prices are down $3.50/ctn.
• In contrast, prices for organic apples are at or above 2012/13 levels, due to the shorter supply. Historically, it is rare for the organic price pattern to diverge from conventional, but short supply and growing demand tend to raise prices.
• The price for all the main varieties of conventional apples (excluding Honeycrisp) are down from 2012 to 2013, while prices are up for all varieties of organic apples.
WA State weekly Avg. $/ctn

Conv. Only*

Conv. Apple pricing is tracking as anticipated. It is down about $3.50/ctn on average compared to the 2013 season.

United and Associated Marketers
*Excluding Honeycrisp
WA State weekly Avg. $/ctn

Organic*

Organic Apple pricing has remained strong all season!

United and Associated Marketers
*Excluding Honeycrisp
The average price for conventional apples is down $3.64/ctn from 2012 and up $0.58/ctn from 2011 season to date.*
The average price for Organic apples is up $1.69/ctn from 2012 season to date.*
• Gross revenues in the next three slides are based on prices for packed fruit FOB at the fruit company prior to shipping to customers.
• Gross revenues (total sales) for conventional apples are down compared to the previous year due to reduced volume as well as lower prices.
• Gross revenues for organic apples are 19% higher than the previous year due to higher early season movement and similar or higher prices.
• When combining both revenues, the organic increase does not make up for the conventional decrease, and overall revenues from apple sales are down compared to the previous year.
WA State Conv. Apple Gross Revenue as of 12/31/2013

Conv. Revenue is down about $244M (-20%) from the 2012 CY but up about $128M (15%) from 2011 CY.*
WA State fresh organic apples have generated **$132.5 Million season to date***. This is nearly $21M (19%) more than 2012 and over $38M (43%) from 2011 with about the same volume.
WA State Apple Fresh Gross Revenue
as of 12/31/2013

Organic & Conv.

WA State fresh apple sales revenue is down $233 Million season to date than a year ago*. This is 15% decrease.

2010 CY  2011 CY  2012 CY  2013 CY

$1,360,861,926
(2012)

$1,137,000,00
(2013)

$971,753,150
(2011)

*Excluding Honeycrisp

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34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52
Week

$1,600,000,000
$1,400,000,000
$1,200,000,000
$1,000,000,000
$800,000,000
$600,000,000
$400,000,000
$200,000,000
$0
Influencing Factors

• A strong US dollar and strong demand reduced the amount of Southern Hemisphere fruit on hand in the US in Sept. 2013

• Washington State sold it’s 2012 apple crop at an anticipated pace. We had less than 7M cartons on hand as of Sept. 1, 2013. (Sept. 1, 2012 we had about 1.5M cartons remaining and Sept. 1, 2011 we had 3M cartons remaining)

• The North East and Mid West States rebounded from their frost damage in 2012 with record crops in 2013.
Summary
Season to Date Fresh Apples Sales

• The Jan. 1, 2014 U.S. apple holding are up 3M cartons from 2013.
• WA State Jan. 1, 2014 apple holdings are down 11.8M (10.75%) cartons from 2013.
• Organic inventory is down 2.3M (40%) cartons from Jan. 1, 2013
• Organic shipments are up 482,000 (15%) cartons through Dec. 31, 2013
• Conv. avg. price $/ctn down $3.64 (14% decrease)*
• Organic avg. price $/ctn up $1.69 (5% increase)*
• Conv. Gross Revenue is down $244 Million (20%) from 2012 STD*
• Org. Gross Revenue up over $21 Million (19%) from 2012 STD*
• Total Gross Revenue from fresh sales is down $223 Million (15%) for a total of $1.14 Billion* season to date.
• The organic market has remained strong in a very competitive conventional market.