

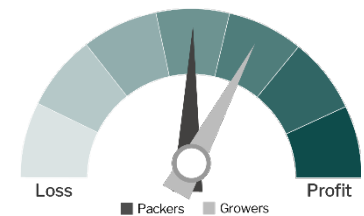
MARKET SNAPSHOT
Apples

March 31, 2023

Executive summary

AgWest Farm Credit’s 12-month outlook sees apple growers as slightly profitable and packers as break-even. Drivers include a small 2022 crop, reduced access to Midwest and East Coast markets, lower yields in New Zealand, challenges with labor costs and availability, supply chain issues, and uncertainty regarding the 2023 crop.

12-Month Profitability Outlook



Industry drivers

Small 2022 crop lowers profitability

The 2022 apple crop was among the smallest in 20 years. Improved prices haven’t fully offset lower yields, particularly for orchards affected by inclement weather and warehouses without enough throughput to cover fixed costs. Crop insurance will be important to offset producer losses on the 2022 crop. The Cosmic Crisp variety is the exception with high crop volume more than compensating for an 11% decline in prices year over year. High crop volume is the result of more acres coming online.

Season-to-Date Prices by Variety

Variety	Conventional			Organic
	2020/21	2021/22	2022/23	2022/23
Red Delicious	\$17.82	\$19.45	\$22.11	\$38.24
Gala	\$22.69	\$26.04	\$28.77	\$37.82
Fuji	\$22.58	\$24.42	\$30.64	\$38.68
Honeycrisp	\$47.71	\$48.12	\$48.46	\$73.03
Cosmic Crisp	\$58.91	\$40.33	\$35.75	\$52.81

Source: WSTFA March 15, 2022, Weekly Summary Bulletin Report.

Northwest producers face reduced access to Midwest and East Coast markets

Michigan’s 2022 crop was the largest on record and is crowding out Northwest supply in Midwest and East Coast markets. These are important markets for Northwest producers; however, they’re at a competitive disadvantage due to higher transportation costs. This is likely a one-time occurrence, and Michigan’s apple inventories should deplete by mid-April.

New Zealand orchards devastated by hurricane Gabrielle

Reduced apple supplies from New Zealand should provide some price support to high-end markets. In February 2023, Hurricane Gabrielle damaged approximately 40% of the country’s 25,000 apple orchard acres. Of those orchards, approximately 21% were either lost completely or experienced intense flooding with excess silt build up (silt can lead to tree mortality by limiting roots’ access to oxygen), and 19% will experience reduced yields in 2023. In 2022, New Zealand exported 26 thousand tons of fresh apples to the U.S. valued at \$60.5 million. This represents about 1% of Northwest production.

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Labor availability and cost an increasing concern

Growing regions located near large population centers are facing increasing labor costs and availability pressures, particularly for orchards. Anecdotal reports suggest domestic labor is harder to come by than foreign labor. The presence of H-2A labor continues to increase across the West Coast, particularly in Washington and California; however, it does not appear to be keeping pace with demand. See the [Crop Inputs Snapshot](#) for further analysis of labor conditions.

Supply chain challenges persist

Packers may need to adopt alternative packaging methods and materials. Anecdotal reports suggest packers face increasing logistical challenges in procuring goods, particularly plastic bags, from China and this represents a new challenge to the industry and retailers. For a deeper analysis of supply chain and crop input conditions, see the [Crop Inputs Snapshot](#).

Industry uncertain about 2023 crop

It remains too early for reliable apple crop estimates. Northwest growers are experiencing high levels of bud set, and this suggests a potentially large 2023 crop. Currently, there are several concerns:

1. Total yields will depend on weather and access to labor during harvest.
2. Frost and heat damage in 2022 could lead to quality issues in 2023.
3. Extremely cold weather and high levels of snowpack in some regions may lead to some sapling and tree damage.
4. A relatively high proportion of trees retained leaves during winter and this may increase pruning and thinning costs.

Profitability

Apple producer profitability will vary depending on location. Orchards where bloom coincided with inclement weather events will struggle more than others, and crop insurance will be important to offset producer losses. Packers will likely see break-even conditions, but profitability will be based largely on whether they have enough throughput to cover costs. A high level of bud set suggests the potential for a very large 2023 crop; however, it remains too early for reliable estimates.

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Additional information

AgWest Business Management Center

www.AgWestFC.com/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

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