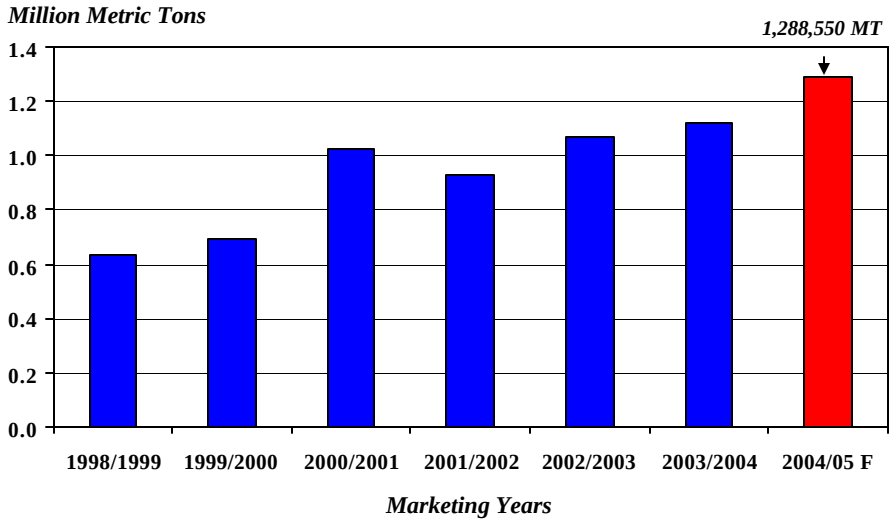
World Apple Juice Situation:
Global Apple Juice Production Continues To Set New Record, Trade To Remain Strong in MY 2004/05

SUMMARY

World production of apple juice for market year (MY) 2003/04 (July-June) is revised up from 1.14 million metric tons to 1.2 million. Expectations for 2004/05 are 1.3 million metric tons. Since 2002/03, global juice production has hit a new record each year. China continues to be the world's top producer, followed by Poland. Production increases in Argentina, Germany, Hungary, and Italy are offsetting declines in Chile and Spain. U.S. production levels continue to wane, estimated down 2 percent during 2004/05.

Global apple juice trade is expected to have another record year in 2004/2005. World apple juice exports of select countries will be 1.137 million tons. China is expected to export about 46 percent of this world total. Total apple juice imports of select countries are estimated to be off slightly. The United States, one of the world's largest importers, is expected to take less based on most recent trade data, while Germany's larger domestic production will reduce the demand for imported product.

Global Apple Juice Production Expected To Continue Strong in 2004/05



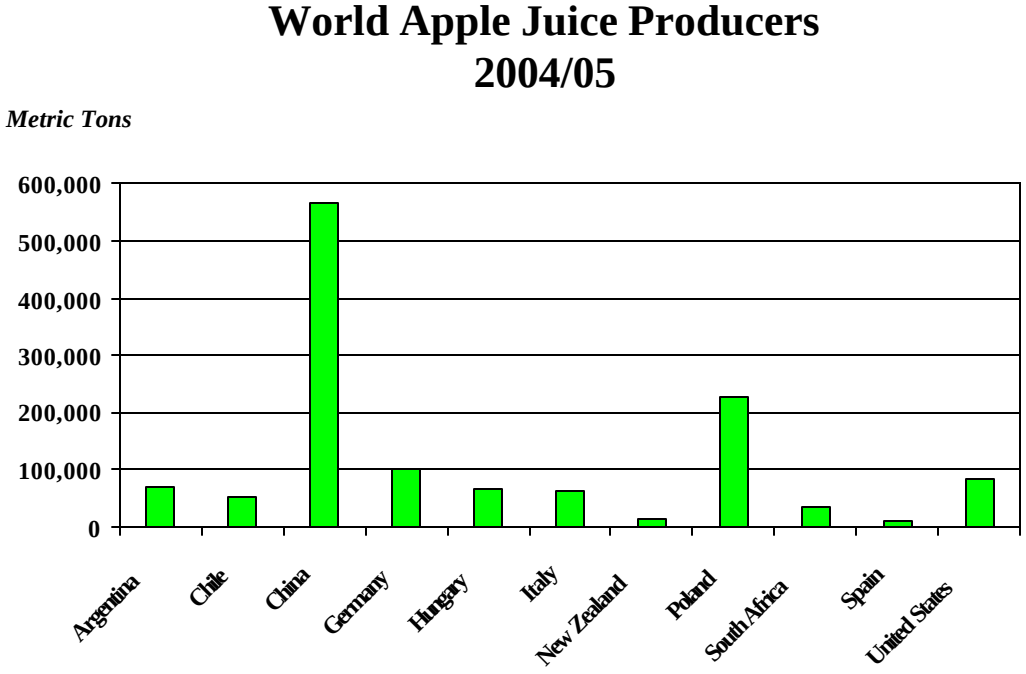
Source: USDA/FAS Attaché Reports and USDA National Agricultural Statistics Service.
F = Forecast

PRODUCTION

Expected record global production driven by China in 2004/05

Combined apple juice production in major producing and trading countries in 2004/05 is estimated at 1.288 million tons, over 89,000 tons above the previous season. The increase is mainly due to an estimated increase in Chinese production of 46,000 tons, a more modest increase compared to last year's 100,000 tons. In recent years, China's apple juice industry is 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 expansion is expected to continue as more marketing opportunities develop, prompting ongoing increases in 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 continue to introduce new processing equipment and expand their investments. Shaanxi is now the largest apple juice-producing province, followed by Shandong.

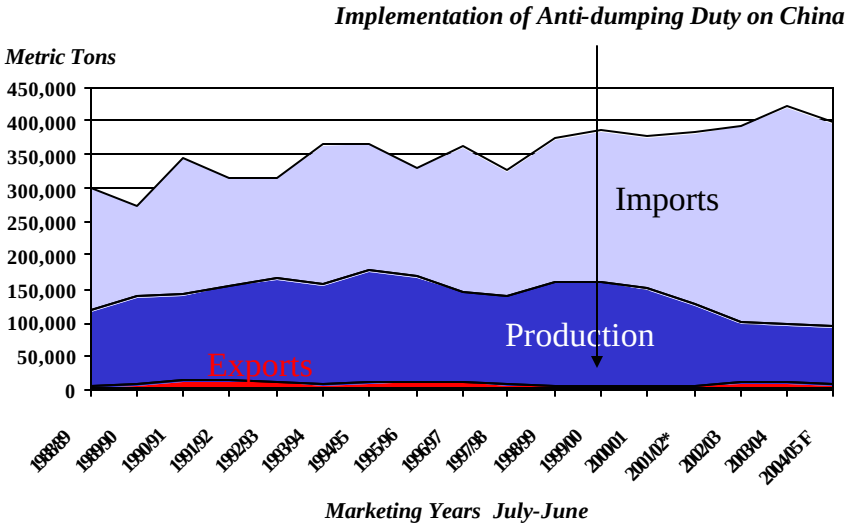


Source: USDA/FAS Attaché Reports

U.S. apple juice production in 2004/05 is expected to continue its downward trend

At only 85,000 tons, 2004/05 U.S. apple juice production will likely decline for the sixth consecutive year. The United States utilized around 3 billion pounds for processing during 2003. The National Agricultural Statistics Service (NASS) will publish estimates for 2004 in July 2005. 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. Apple Juice Production Declines as Imports Increase



Source: U.S. Department of Commerce, Bureau of the Census. F= Forecast
HS Code 20097000 for apple juice prior to 2001/02. 2001/02 to present, juice aggregate 20097100 (single strength) and 20097900 (concentrated apple juice)

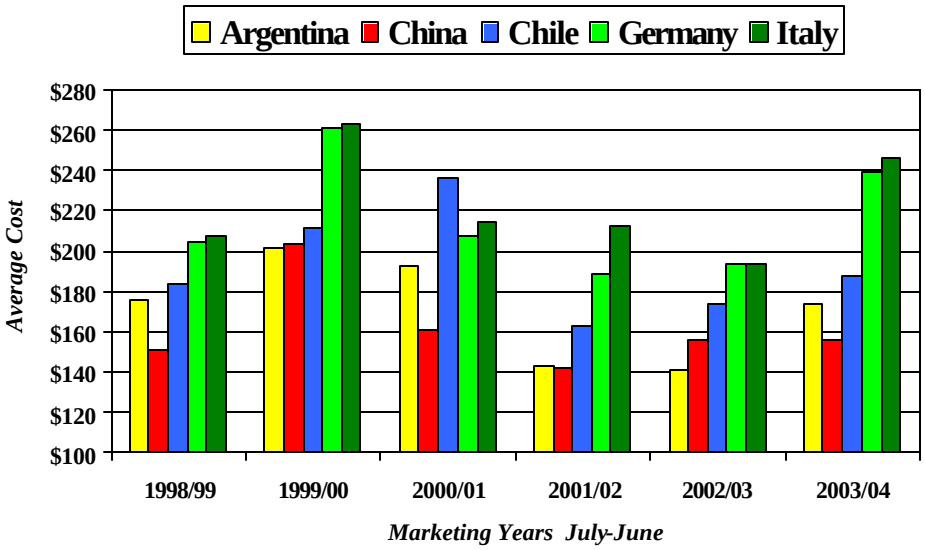
In the United States, few apples are grown just for juicing. Most juice apples are culled fruit from fresh packing lines. Moreover, profits to growers from processing apples are generally lower than fruit directed to the fresh market. Of all apples processed for other than the fresh market in 2003, about 44 percent went into the juice and cider market. This is about 16 percent of total apple production. Also, of all apples processed, 38 percent were canned (up from 36 percent), 44 percent were processed into juice or cider (down from 49 percent last year), 1 percent were frozen (down from 6 percent), and 6 percent were dried (down from 7 percent).

NASS will publish 2004 numbers on July 6, 2005, at
www.usda.gov/nass/pubs/reportname.htm#Noncitrus_Fruits_and_Nuts_Summaries

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

The United States is expected to remain a major net importer as U.S. import demand for apple juice continues its upward trend (see previous chart). However, apple juice imports in the United States in 2004/05 are estimated at 302,500 tons, down 6 percent from last year. This figure represents total juice imports, which include HS codes 200971 (apple juice, of a brix value not exceeding 20, not fortified with vitamins or minerals, unfermented, not containing added spirit) and 200979 [apple juice, nesoi (not elsewhere specified or included), not fortified with vitamins or minerals, unfermented, not containing added spirit, whether or not sweetened]. U.S. imports are mostly concentrated non-frozen product. Argentina, Chile, and China are the major suppliers of apple juice to the United States. Apple juice imports from Argentina and China are, on average, the lowest-priced options to U.S. importers. On May 15, 2000, in response to industry complaints about the surge of low-priced apple juice from China, the United States imposed antidumping duties on imports of Chinese nonfrozen apple juice concentrate. The duties assessed range from 9 to 52 percent. In 2005, the current antidumping order on apple juice from China is being reviewed under the "sunset" review process by the U.S. International Trade Commission and the U.S. Department of Commerce.

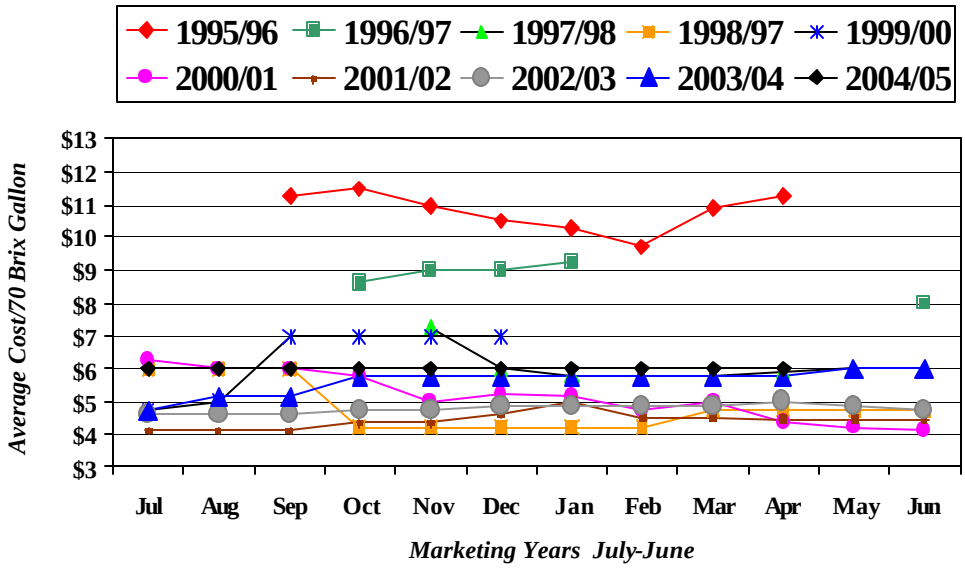
Apple Juice from Argentina and China Continues As the Lowest-Priced Option for U.S. Importers



Average value per kiloliter of apple juice imported
Source: U.S. Department of Commerce, Bureau of the Census.

Since before the imposition of the dumping duty in 2000, it appears that domestic prices have remained stable at about $6 per gallon. It has been 10 years since prices were at $9 per gallon or higher.

Domestic Apple Juice Prices Stable at $6 Dollars a Gallon



Source: Food Institute surveys of brokers, buyers, and manufacturers, ex-dock NY

Global apple juice trade is expected to reach record levels in 2004/05.

Exports from selected countries are estimated at 1.138 million tons, up 4 percent. Imports are estimated to reach 775,600 tons, down 7 percent. Imports are off slightly due to declines from the United States and Germany. Germany's production was up 28 percent from the previous level. The increase is due to growing demand for pure apple and blended juice beverages, and as an additive in cosmetics and various types of medicines. Germany and the United States, the two largest importing countries, are expected to import 410,000 tons and 302,500 tons of apple juice in 2004/05, respectively. China and Poland are the two largest exporters.

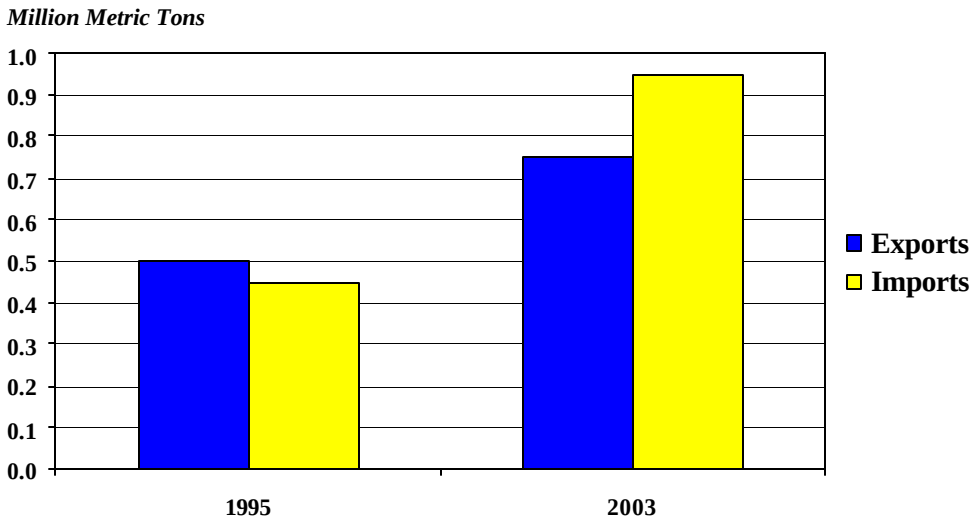
China, although shipping more high acid apple juice, mainly exports low acid apple juice concentrate, while Poland ships mostly medium and high acid apple juice. High acid apple juice is in particularly high demand in Japan and European markets.

This season's apple crop in Poland, the second largest producer, is expected to be larger than 2003/2004 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 9 percent. Argentina currently ranks fourth

in terms of production levels. Recent larger production, combined with the long-lasting effects of their currency devaluation, will help to support larger exports, up 12 percent from last season. 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 for the export market 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.

World Trade in Apple Juice Growing Rapidly



Source: Food and Agriculture Organization of the United Nations

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