

EDUCATION

USApple, Radio Disney Partner for Healthy Halloween

In October USApple is teaming with Radio Disney for a series of “high energy” events to tout the health benefits of apples and apple products, and get kids and parents excited about eating apples.

“We couldn’t ask for a better partner this fall than Radio Disney,” said Wendy Davis, director of communications and consumer health for USApple. “This exciting program will bring attention to great-tasting, good-for-you apples and apple products.”

Radio Disney is a family friendly radio network produced by ABC radio. Each week, 3.2 million kids aged 6-14 and 2.4 million moms tune in to broadcast stations in 55 U.S. markets, and nationwide via satellite radio on XM and Sirius and on digital satellite & cable music provider, Music Choice.

As part of the program, USApple will join Radio Disney personalities in five key markets across the United States – Atlanta, Detroit, New York City, Tampa and Seattle. These “Healthy Halloween with USApple and Radio Disney” events will be targeted towards moms and children at high-traffic locations like malls and zoos. USApple will help build enthusiasm by and handing out apples and educational information at each event. Radio Disney will host other fun activities, such as dance

See Radio Disney, page 2

INDUSTRY INFORMATION

U.S. Apple Industry Prevails in Concentrate Antidumping Review

The U.S. International Trade Commission (ITC) voted recently to maintain the current antidumping order on imports of Chinese non-frozen apple juice concentrate to avoid further injury to the domestic apple industry. In a unanimous vote, the ITC Commissioners voted to prevent a return of the predatory pricing practices of the 1990s which harmed the domestic concentrate industry. The decision is the last step in the process to extend the current antidumping order for five

years. The U.S. Apple Association (USApple) submitted substantive comments in strong support of the extension.

“We are gratified that both the ITC and the U.S. Department of Commerce agreed with the need to continue the antidumping orders and its associated duties,” said USApple President and CEO Nancy Foster. “In addition to keeping a fair market available for

See Antidumping Order, page 6

Cranney Named Apple Man of the Year



Tom Karst, national editor of *The Packer*, presents USApple Vice President James R. Cranney, Jr., with the Vance Publishing “Apple Man of the Year” Award during USApple’s 2005 Outlook Conference. Cranney was praised for his knowledge of apple production and marketing, his professional approach on issues, his efforts to educate the industry and the government, and called “the unsung hero of apple trade associations.”

Healthy Events for Halloween

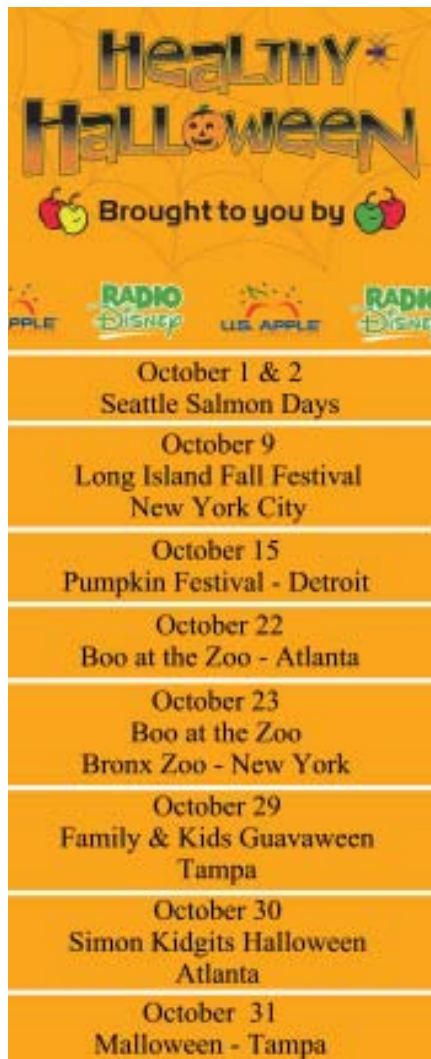
Radio Disney (from page 1)

contests and interactive games.

Radio Disney and USApple are producing a series of radio spots featuring moms and kids talking about varieties and health benefits of apples and apple products, along with convenience and great taste.

The Halloween program will also feature a chance to win a trip for four to the "Big Apple" to attend a Disney theater production on Broadway. Children can enter at one of the events in October, and entries can be mailed in to expand the contest beyond the five markets.

For more information, contact Wendy Davis at (703) 442-8850 or email wdavis@usapple.org. 🍏



Healthy Halloween
Brought to you by
RADIO Disney, US APPLE, RADIO Disney

- October 1 & 2
Seattle Salmon Days
- October 9
Long Island Fall Festival
New York City
- October 15
Pumpkin Festival - Detroit
- October 22
Boo at the Zoo - Atlanta
- October 23
Boo at the Zoo
Bronx Zoo - New York
- October 29
Family & Kids Guavaveen
Tampa
- October 30
Simon Kidgits Halloween
Atlanta
- October 31
Malloween - Tampa

PUBLIC AFFAIRS

USApple Prevents Fungicide Label Change

At the urging of USApple, the U.S. Environmental Protection Agency (EPA) has opted not to make changes for the EBDC fungicide, mancozeb.

EPA explored possible reductions in early season label rates of mancozeb and increase the reentry interval, but in the end chose not to implement its proposals.

"We hope the agency will consider the substantial economic benefits of mancozeb and the importance of this fungicide in apple production," USApple wrote to EPA. "Commercial apple production would not be possible if apple growers could not effectively

control apple scab. With limited fungicide alternatives currently available and without any guarantees that additional options will be available in the future, the apple industry believes it would be unwise, if not reckless to adopt growing practices that accelerate resistance to available alternatives. As such, we urge the agency to maintain the early season rate as currently labeled."

The agency did make changes on the mancozeb label for other products. For more information, contact Jim Cranney at (703) 442-8850 or jcranney@usapple.org. 🍏

Buehler Retires from USApple Board



USApple Chairman Jeff Crist (far left) thanks Bernie Buehler and his wife, Rosanne, for their dedication and leadership on the USApple Board of Trustees.

After nine years of service to the apple industry on the USApple Board of Trustees, Bernie Buehler of LaCrescent, MN, retired from the Board in August.

"My work with USApple has been an extremely rewarding experience," Buehler said. "I have had the opportunity to meet some fantastic individuals and helped to make a difference for the industry."

"Bernie worked hard for the

betterment of the industry, and was a strong representative for the Midwest," said USApple President and CEO Nancy Foster. "I know that Bernie will remain an active player in the industry."

At the Annual Meeting in August, Bill Dodd, general manager of the Fruit Growers Marketing in Newcomerstown, OH, was appointed to fill Bernie's spot on the Board. 🍏

Smaller Apple Crop Forecast for 2005

Harvest time is here again! The overall outlook for the 2005 U.S. crop is for slightly fewer bushels of apples coming off the trees. If this holds true through the completion of harvest, it will be good news for the industry.

The U.S. Department of Agriculture (USDA) forecast the 2005 apple harvest at 234.2 million bushels in its August estimate. That represents a decrease of about six percent from the 2004 crop. However, the USDA estimated 2005 crop is larger than the five-year average by about three percent.

Attendees of the 2005 Apple Crop Marketing and Outlook Conference forecast the crop to be even smaller than USDA's predictions. This year the consensus was that the U.S. apple crop would come in at about 223.5 million bushels, a 10 percent reduction from the 2004 crop and a three percent drop from the five-year average. The USApple estimate is about four percent below USDA's projection.

A majority of the states are expecting a smaller crop than 2004, with Washington leading the pack with an estimated 18 million bushel, or 13 percent, decline from 2004. However, the apple crop is forecast

to be larger than 2004 in several states. Leading this group is Michigan with a projected 2 million bushel (11 percent) increase. In addition, Pennsylvania is expected to see its crop up about 1 million bushels, North Carolina and California each project a 500,000 bushel increase, and Maryland and Iowa expect small increases in apple production.

In addition to a smaller crop overall, the 2005 harvest will also likely have some changes in the variety mix. Red Delicious apples are expected to see a significant decrease in 2005. While the variety will still make up the largest segment of the apple crop, USApple estimates it will fall about 7.3 million bushels from 2004's harvest to about 61.7 million bushels, a decrease of more than 10.5 percent. Reds will represent just over 26 percent of the 2005 harvest, compared to almost 28 percent in 2004, USApple estimates. Virtually all of the reduction in Red Delicious production will come in the western United States.

Fuji apples will also see a reduction in the United States in 2005. Production of Fujis is expected to drop more than 2.5 million bushels, about 11.6 percent, compared to 2004 levels

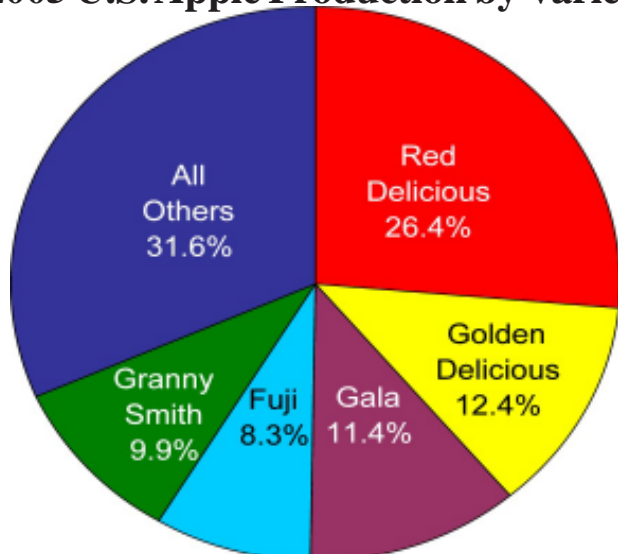
At the same time, Granny Smith apple production is expected to see an increase in 2005, according to USApple. This growth, coupled with the smaller Fuji harvest will allow Granny Smith apples to move to the number four spot on the production list. In 2005, the Granny Smith harvest will outpace Fuji by more than 3.8 million bushels. Last year, Fuji apples had a 430,000 bushel lead over Grannies.

The largest growth in a variety is a 1.1 million bushel growth in Gala apples, an increase of more than 4.3 percent over 2004.

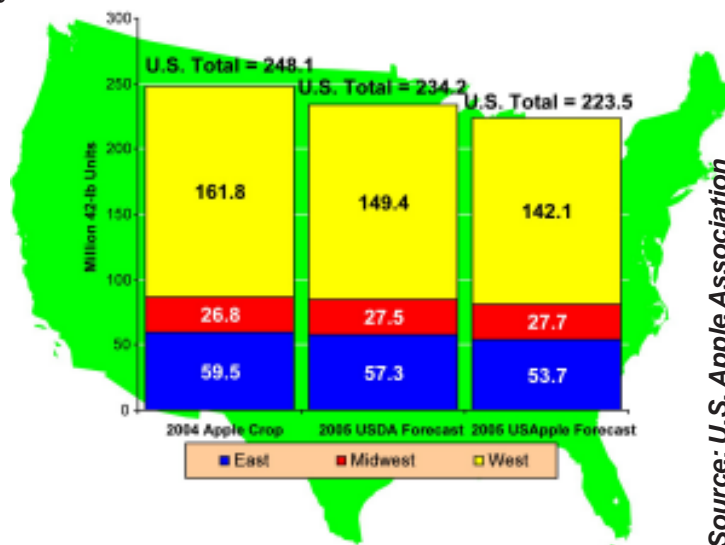
Another piece of the apple supply picture is the remaining supply from last year's crop. Fortunately, strong industry marketing of the exceptional crop of 2004 resulted in minimal carry over.

For more information on the 2005 apple forecast and the utilization of the 2004 crop, please see USApple's Production and Utilization Analysis. This report was distributed at the Outlook conference, but is available for purchase for those who did not attend. Contact Shannon Schaffer at sschaffer@usapple.org for more information. 🍏

2005 U.S. Apple Production by Variety



2005 U.S. Apple Production Forecast



Source: U.S. Apple Association



2004 - 2005 Accomplishments

Public Affairs:

- Successfully advocated Congressional passage of the Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) expanding apple export opportunities by removing import on U.S. apples.
- Worked to maintain the use of key crop protection tools, including: naphthalene acetic acid (NAA); methyl parathion (PennCap-M®); triazine compounds (including simazine); formetanate hydrochloride (Carzol®); azinphos-methyl (Guthion®); Ziram; and carbaryl (Sevin®).
- Continued work with USDA and Congress to ensure that a deliberate, scientific process is followed in evaluating China's request to export fresh apples into the U.S.
- Testified before the U.S.-China Economic and Security Review Commission regarding the impact of Chinese apple production on the U.S. industry.
- Continued precedent set in the 2004 Agriculture Disaster Bill for equal treatment of apple growers with program crop producers in disaster relief.
- Convinced Congress to include funding for the Tree Assistance Program (TAP) in the 2004 Agriculture Disaster bill. The program provides funds for tree replacement for apple and other orchardists suffering natural disasters.
- Successfully worked with the USDA's Risk Management Agency to develop and implement a new apple crop insurance policy.
- Supported the National Tree Fruit Technology Roadmap, and gained \$4 million in USDA competitive grants for genomics research on rosaceous crops and prompted USDA to hold a research summit on genomics.
- Worked to gain full funding of USDA's Market Access Program (MAP). Helped secure Congressional approval of a \$60 million increase - to \$200 million - in federal funding for the program. MAP provides over \$3 million in federal funds to grow U.S. apple export markets.

USApplePAC:

- Contributed over \$18,000 to 17 U.S. House and Senate candidates from 11 states. About 88% of these candidates won their races.

Market Information:

- USApple's **2005 Apple Crop Outlook and Marketing Conference** drew 260 participants from around the globe to hear about coming marketing trends, and up-to-the-minute crop forecasts and market outlooks.
- Published the industry's only compendium of crop production data, *2005 Production and Utilization Analysis*.
- Completed transition to fully electronic delivery of *Market News*, the industry's only national sales movement and storage report.

Education:

- Utilized television and print media, USApple's website, health educators and other avenues to focus consumer attention on the new Dietary Guidelines for Americans and Food Guidance System. These new government recommendations call for increased consumption of fruits and vegetables, especially high fiber fruits such as apples.
- Conducted a "Big Apple" media tour with major magazines including *Self*, *Martha Stewart Living* and *Child*.
- Advised national media on apple issues, including the outstanding results of health benefits research. Issues promoted to the media included the latest health finding showing apples and apple products may contribute to a reduced risk of breast cancer. These efforts resulted in widespread coverage.
- Provided research funding to several major U.S. universities studying a range of potential apple health benefits.
- Disseminated the 5-A-Day message with apples to print media and foodservice establishments to continue to link apples with a positive health message for the public.
- Provided extensive information to McDonald's for the launch of the Fruit N Walnut Salad. In addition, expanded relationships with the other foodservice companies in development and promotion of products.
- Established an "Education Toolkit" with apple health and marketing information for use by industry members.

Crisis Communications:

- Actively monitored media outlets for negative apple information.
- Pressed the Kellogg Company to stop a negative characterization of apples in advertisements for Apple Jacks cereal. Kellogg pulled the ad, and added pro-apple nutrient information to its website.
- Presented accurate, immediate information on apple juice to refute media reports that misinterpreted a study on sweetened drinks and childhood weight issues.
- Produced a draft crisis communications plan for the U.S. apple industry.

Membership/Communications:

- Participated in numerous state winter horticultural meetings to discuss political and consumer developments and industry priorities. USApple attended meetings in Washington, Michigan, New England, Minnesota, Ohio, North Carolina, Virginia and Pennsylvania.
- Disseminated information on news and issues through media releases, the monthly publication of *Apple News* and regular columns in key industry publications.

Goals for 2005 and 2006



Public Affairs:

- Promote the strong, science-based efforts currently underway to make sure that fresh apples from China are not allowed into the United States until it is proven that there will be no harm to the domestic apple industry. This includes ensuring that politics does not replace science on this issue.
- Provide leadership to the specialty crop sector's political drive to expand opportunities for apples and other specialty crops in the 2007 Farm Bill.
- Work with USDA and Congress if necessary in support of scientific recommendations to expand the WIC program to include fruits and vegetables.
- Gain passage of legislation that provides a reliable and legal supply of labor for agriculture.
- Work to expand foreign market access for U.S. apples by removing overseas trade barriers inhibiting exports and ensuring a level playing field.
- Preserve the use of safe and effective crop protection pesticides required by the apple industry.
- Encourage Congress to continue supporting important priorities for the apple industry, such as the Specialty Crops Competitiveness Act, to increase apple demand.
- Increase federal funding for the Tree Fruit Technology Roadmap to build competitiveness and profitability.
- Work to maintain full funding for the Market Access Program (MAP) to help expand apple exports.

Crisis Communications:

- Maintain a comprehensive Crisis Communications Plan to be utilized in the event of an industry crisis.
- Monitor and defend the U.S. apple industry in the event of a crisis or disparagement.

Education:

- Grow sales of apples and apple products.
- Strengthen attitudes about apples and apple products through research on nutrition and health benefits and consumer education.
- Enhance USAApple's role as the credible source for national apple information with various public audiences.
- Lead and coordinate industry communications on industry-wide news and issues.
- Identify emerging communications issues and guiding industry efforts to address those issues.

Membership/Communications:

- Participate in additional numerous state winter horticultural meetings to share the latest developments and listen to industry concerns.
- Increase the visibility of USAApple and the issues facing the apple industry through media releases, the monthly publication of *Apple News* and regular columns in key industry publications.
- Review structure for individual membership in USAApple.

Market Information:

- Increase participation and provide strong program value in USAApple's **2006 Apple Crop Outlook and Marketing Conference**.
- Provide timely and accurate information on the apple crop, including movement and storage data.

USAApplePAC:

- Expand outreach and education to members of the apple industry on the important role of USAApplePAC.
- Continue to support key members of Congress through the USAApplePAC.




USAApple Board Officers meet with former Congressman Charlie Stenholm (D-TX). From left to right, Kelly Henggeler, Jeff Crist, Stenholm and Ken Guise.

USAApplePAC Hosts Luncheon

Former U.S. Rep. Charlie Stenholm (D-TX) encouraged attendees to stay involved in the political process by letting their voices be heard on Capitol Hill, while speaking at a USAApple PAC luncheon in Chicago.

As a farmer himself, Stenholm understands the issues facing the apple industry and offered his perspective on the issues and players that will impact the negotiations on the next Farm Bill.

The Farm Bill will have an impact on the apple business. Issues such as funding research indicatives and the trade title can have a positive impact on apples.

The luncheon raised funds for the political action committee USAApple uses to strengthen the voice of the apple industry on Capitol Hill. 

ITC, Commerce Department Extend Antidumping Duties Five Years

Antidumping (from page 1)

the remaining U.S. concentrate producers, today's ruling will support all U.S. apple growers in maintaining a market for juice apples."

In 2000, the ITC and Commerce agreed that certain Chinese concentrate producers were selling non-frozen apple juice concentrate in the United States at prices below

the cost of production. At that point, duties ranging from 3 percent to almost 52 percent were assessed on certain Chinese producers, though some concentrate producers qualified to ship product into the United States with no duties.

By law, antidumping orders must be reviewed every five years to ensure that the order is still necessary and appropriate. This process, known as a "sunset


review" requires the Commerce Department to issue a finding that the unfair pricing practices would continue or begin again if the order were revoked, and the ITC must agree that the domestic industry would suffer economic harm from the continued pricing practices.

USApple argued that there was significant evidence that Chinese concentrate producers would return to unfair pricing without the protection of the order. The Commerce Department announced last week that it agreed with USApple, and determined the dumping of non-frozen apple juice concentrate from China would be likely if the antidumping order were revoked.

USApple submitted information to the ITC outlining the significant economic harm that had already been done to the domestic concentrate industry by the predatory pricing. At least six "domestic apple juice concentrate firms that have either gone out of business or closed plants because of the impact of significantly increased imports of Chinese apple juice concentrate and the resulting low apple juice concentrate prices in the United States," USApple told the ITC. "The industry has suffered serious harm and deterioration."

Ending the order would add pressure by increasing imports and lowering prices. "Removal of the order would have encouraged some Chinese firms to offer lower prices in the U.S. market hoping to attract new customers, while others could attempt to defend their market share by driving the prices even lower," explained Foster.

The decisions by ITC and the Commerce Department will help make sure domestic concentrate producers, and the entire apple industry, have some protection against such unfair pricing practices.

For more information, contact USApple Vice President Jim Cranney at (703) 442-8850 or email jcranney@usapple.org. 

NATIONAL APPLE MONTH

NAM Honors H-E-B as 2005 Apple Merchandiser of the Year




Vince Walker, produce business development manager for H-E-B, accepts the 2005 Apple Merchandiser of the Year Award from Kay Rentzel, director of National Apple Month.

Over the last 100 years, the retail chain H-E-B has succeeded in giving customers what they want – especially when it comes to apples. In recognition of this accomplishment, the chain was honored as National Apple Month's 2005 Apple Merchandiser of the Year.

Produce is positioned prominently in H-E-B stores and the corporate culture. The chain works to offer the right varieties to the right stores and different sizes to meet the needs of customers. H-E-B developed marketing plans for apples based on the local demographics and store type. A selection of 12 to 15 traditional apple varieties are offered priced individually and bagged in stores in

economically challenged neighborhoods. In more affluent areas, there is a selection of up to 25 to 30 varieties of apples in season with a greater number of premium varieties.

Apple exposure is maximized where fresh foods are the focus. Last fall, the chain brought in several varieties of heirloom apples for special promotion. Active sampling and point-of-sale signage enhanced this promotion.

National Apple Month is the industry's only generic apple promotion, the is run with oversight by USApple, but is independently funded and operated. For more information, contact Kay Rentzel at (717) 432-0090 or email krentzel@usapple.org. 

Marketing Experts Take Center Stage at Outlook

Fall is an exciting time for apples, and not just for the industry. Consumers are especially aware of apples and apple products.

The U.S. apple industry has a number of strong market opportunities available, from new foodservice opportunities to retail outlets and from processing to exports. Marketing experts outlined many of these opportunities for attendees of the 2005 Apple Crop Outlook and Marketing Conference in August.

With more families on the go, convenience is key and offers an entry point for apples to consumers. "More than ¾ of mothers of school-aged kids are employed outside of the home," according to Nancy Kruse, president of The Kruse Company and a well-known foodservice trends expert. "There is an ongoing demand for convenience as a result."

Apple growers, packers and processors are now offering fresh sliced apples in handy packaging, in addition to new, creative options for sauce, juice and cider. Restaurants across the nation are responding to consumer interest in health by offering nutritious menu choices with apples and apple products, Kruse told attendees. New apple

dishes now available include the Rainforest Café's apple chutney, Cracker Barrel's sweet pepper and apple relish and pork tenderloin atop fried apples, Panera Bread's fuji apple chicken salad, and Damon's apple-bourbon grilled chicken, she noted. In addition, apples are still the second most popular dessert ingredient, after chocolate.

It is important for the apple industry to build on foodservice opportunities, because younger generations are eating their meals in restaurants much more often, Michael Sansolo, vice president of the Food Marketing Institute told the Outlook crowd. About 33 percent of "Generation Y," people born between 1981 and 1990, report eating out at least three times each week, compared to 17 percent of "Generation X," people born between 1965 and 1980.

Of course one of the most talked-about restaurant moves into the apple arena is McDonald's. The company expanded its apple offerings this year with the Fruit and Walnut Salad.

"The launch of the new salad is going very well, even better than the company anticipated," said Mark Lepine, director of menu innovation and development for McDonald's. The company is keeping with its estimate to use about 55 million pounds of apples in 2005, including slices for Apple Dippers and the Fruit and Walnut Salad.

"We need to be able to provide accessibility to products at the restaurant level that families are used to consuming at home," Lepine explained.

Of course, the retail market for fresh apples



Convenience is a key selling point for consumers and food service providers, Nancy Kruse told Outlook attendees.

continues as a high priority, and succeeding in that market requires recognizing and capitalizing on coming trends.

The ethnic make-up of the population is changing with more diverse consumer bases and the population is getting older, Sansolo said. However, differences between consumers have gotten so extreme, that there really is no longer an "average" customer for the industry to target.

In addition, the retail industry is facing a number of challenging issues, from increased cost of processing transactions as the use of debit/credit cards skyrockets, to higher energy costs, consumer privacy concerns and necessary investments in technology.

Cutting through these changes, "apples are a necessity for your basket, table and refrigerator," Sansolo said.

"Adding to the challenge of reaching consumers is the fact that what consumers say and what they actually do when they reach the supermarket are often two very different things," Sansolo said.

For more information contact Wendy Davis at (703) 442-8850 or email wdavis@usapple.org.



Mark Lepine, director of menu innovation and development for McDonald's, listens to an audience question during the Outlook Conference.

New Board Leadership Team Appointed to Guide USApple

With the conclusion of the 2005 August Board of Trustees meeting, a new crop of industry leaders took the helm of USApple's Board.

Scott Smith, an apple grower from Tonasket, WA, assumed the chairmanship of USApple from outgoing chairman, Walden, NY, grower Jeff Crist. Crist was

reappointed to the Board of Trustees for another three-year term, and will serve the association as immediate past chair.

Kelly Henggeler, of Henggeler Packing in Fruitland, ID, took over as vice chairman. The Board of Trustees appointed Ken Guise, president and CEO of Knouse

Foods Cooperative, to the position of secretary. John Graden of Dovex Fruit Co. in Kirkland, WA, continues in his second year of a three-year term as the association's treasurer.

"USApple is fortunate to have these outstanding leaders on its Board," said USApple President and CEO Nancy

Foster. "It was a privilege to work with Jeff over the past year. He set a clear course for the association and we accomplished a great deal under his leadership. We are just as excited about Scott's term. He has a vision for the future of USApple." (See pages 4-5 for a list of accomplishments and goals for the future.)

In addition to Crist, Phil Glaize of Winchester, VA, and Dale Foreman of Wenatchee, WA, were reappointed to serve another three-year term as regional trustees on USApple's Board. Bill Dodd of Newcomerstown, OH, was also appointed to a three-year term as a regional trustee. This will be Dodd's first time on the USApple Board.

Lee Peters of Wolcott, NY; Barry Winkel of Benton Harbor, MI; and USApple's treasurer Graden, were reappointed for three-year terms as regular trustees.

Bernie Buehler of La Crescent, MN, retired from the USApple Board (see page 2).

For more information, contact Nancy Foster at (703) 442-8850. 🍏



Scott Smith (left) of Tonasket, WA, accepts the Chairman's Gavel from Jeff Crist of Walden, NY, at the conclusion of the 2005 Board of Trustees meeting in August. Crist will continue to serve on the USApple Board.

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