

USApple 2004: Year in Review

As the new year advances, it is a good opportunity to take a look back at the accomplishments of the previous year. In this issue of *Apple News*, USApple turns back the clock for such a review. In addition to coverage of recent events in the apple industry, this issue offers an overview of USApple's activities in 2004 and offers a look ahead to 2005.

During 2004, the Outlook Conference provided one-of-a-kind marketing and production information, *Market News* tracked apple trends from production to storage, USApple staff worked in the federal legislative and regulatory process and educated consumers on the benefits of apples, while *Apple*

News kept the industry up-to-date on key developments.

The year also brought some new faces, from new USApple staff in several key positions, to a partnership with the communication agency DomeHK to contribute to the consumer education program.

The end of the year brought a bountiful harvest – outstanding in both its size and its quality. While this presents challenges for marketers, it also offers the opportunity to put apples in the hands of even more consumers in 2005. USApple is working to provide the means for all segments of the U.S. apple industry to join in collective efforts to profitably produce and market apples and apple products. 🍏

PUBLIC AFFAIRS

USApple Raises Concerns over Chinese Imports

U.S. apple growers could face lower prices and financial hardships if China is allowed to bring in cheap imports of fresh apples and apple products, USApple warned the U.S.-China Economic and Security Review Commission earlier this month. Growers need to have access to trade remedies in the event imports disrupt markets and cause financial harm.

The issue of Chinese imports of apples and apple products is the number one priority for USApple's public affairs team (see story, p6).

"U.S.-China trade issues are critically important to apple growers, fresh apple packers and apple processors across the country," USApple told the Commission as part of a two recent hearings. "While China may be a market for some fresh apple exports, imports from China have caused harm to apple growers and the prospect for further damage is a great concern to the U.S. apple industry."

USApple President and CEO Nancy Foster addressed the Commission in Washington, and USApple submitted written comments to a January hearing in Seattle.

"The apple industry derives little or no relief from current trade remedies," explained USApple Vice President James R. "Jim" Cranney. "Current trade law allows too much

See China Imports, page 4

New Dietary Guidelines Released



Photo: U.S. Department of Health and Human Services

Secretary of Health and Human Services Tommy Thompson and Secretary of Agriculture Ann Veneman stand together at the announcement of the new Dietary Guidelines for Americans. The new government recommendations should help boost consumer knowledge and help apple sales. See full story, page 4.

Membership/Communications Keeping the Industry Informed

The biggest change in 2004 for the membership team at USApple is an expansion of the role of the committee from membership services to membership/communications. This broader area of responsibility better reflects the needs of the organization.

USApple continued its tradition of keeping the industry informed on important developments. Along with regular and timely columns in key trade publications, including *American Fruit Grower*, *The Fruit Growers News*, and *Good Fruit Grower* and coverage in other publications like *The Produce News* and *The Packer*, USApple was a source of information for more "mainstream" publications. During 2004, the membership/communications program worked with newspapers, television and radio stations from across the country, including The Food Network, *The Wall Street Journal*, *The New York Times*, *USA Today*, The Associated Press, and *The Washington Post*.

USApple remains a member-driven organization and membership issues are very important. In 2004, USApple counted more than 400 active individual members and 33 state and regional organization in its membership.

One way USApple works to strengthen its membership program is attendance at the winter horticultural meetings. USApple staff traveled from coast-to-coast visiting with industry leaders and talk about the issues the industry is facing. These meetings provide an opportunity to hear from the industry first hand and get their opinions. This winter, USApple staff traveled to eight state meetings including, Washington, Michigan, Minnesota, Ohio, Virginia, North Carolina, New England and Pennsylvania.

For more information about USApple's membership/communications program, contact Shannon Schaffer at (703) 781-4443 or sschaffer@usapple.org. 🍏



On The Road: USApple staff travelled coast to coast visiting with members and speaking on the apple industry and USApple activities. USApple Trustee Bernie Buehler (left), Shannon Schaffer, manager of membership/communications, and Vince Steffan, president of the Minnesota Apple Growers Association, discuss issues prior to USApple's presentation to the group's Winter Meeting.

Grant Expands NAM Outreach

Foodservice sales are projected to increase by five percent in 2005, so it makes good business sense for the apple industry step-up its participation in this market, and explore the potential for the increasing apple sales. A generous grant from the Pennsylvania Department of Agriculture will allow USApple's National Apple Month (NAM) Program to begin this process by expanding its outreach to the foodservice industry.

The \$3,000 grant will allow NAM to expand its relatively limited editorial exposure and work with national distributors and operators to develop new and creative menu applications that include more apples and apple products. Additionally, the program calls for extended work and education of foodservice operators and distributors on the benefits of apples in a daily diet.

"NAM's greatest area of focus is currently its retail program," noted Kay Rentzel, director of National Apple Month. "This grant will allow us to reach consumers in a way that we have been unable to in the past. Working with the foodservice industry gives us another chance to educate people about the great taste and important health benefits that come from eating apples. We hope that this will lead to increased apple consumption and a growth in overall apple sales."

The foodservice outreach program began in January and will run through December 2005. The initial focus of the program will be noncommercial foodservice operations.

For additional details on the program contact Kay Rentzel at 717/432-0090 or via email at krentzel@usapple.org. 🍏

USApple: Keeping the Focus on the Industry

At USApple we see abounding opportunity for the U.S. apple industry in the coming year, and are focusing on maximizing these possibilities to enhance the health of our consumers and the economic health of the apple industry.

The apple industry, along with the majority of agriculture, is experiencing a period of tremendous change -- and as the old adage says, change brings risk and opportunity. USApple will strive to help the industry minimize risk and maximize opportunities. The Association will work to build demand for U.S. apples, ensure fair and equitable access to overseas markets, enhance the industries competitiveness and fight for pro-apple policies in Washington, D.C.

USApple will work to position apples and apple products in consumers' minds as important parts of the solution to our country's health problems. Apples have been linked to improvements in ailments from asthma to heart disease, Alzheimer's disease and certain types of cancer. In addition, the nation is focusing on the growing obesity problem, and apples, offer answers to help with weight loss and control issues.

A new study on apple's beneficial impact on a major health issue, will be announced soon. USApple will keep its commitment to learn more about the science of apples health benefits through partnerships with education and research organizations. The information garnered through this work will drive the point of the health benefits of apples and apple products home to consumers.

The goal is to have consumers see apples, think apples and "Pick Apples!" USApple is working to create a "tool kit" that helps bring this material to the consumer.

USApple will also be looking beyond the traditional retail markets for apples and apple products. The Association is working in partnership with the McDonald's and possibly other major food service

companies to build demand for apples outside of the home. Last year, McDonald's introduced its fresh-cut "Apple Dippers," and this summer it will be expanding its apple offerings. USApple is providing information to show the healthy benefits of apples.

USApple will also continue its strong public affairs program to help create profitable opportunities for the U.S. industry through legislative and regulatory work with Congress, the White House and federal agencies.

The top priority in this arena will be the issue of the imports of Chinese apples. USApple is promoting the strong, science-based efforts currently underway to make sure that fresh apples from China are not allowed into the U.S. until it is proven that there will be no harm to the domestic industry. At the same time, we are working on the political side to make sure that the science is not overrun by the aggressive and persistent efforts by the Chinese government to short-circuit the existing system.

In addition to protecting the U.S. industry from unfair invasion from abroad, USApple will work hard to keep the industry on a level playing field in overseas markets. Two primary examples of this need are now in play. One is the new EU Plant Health Directive that poses unequal trade restrictions on U.S. apples by requiring additional inspections. USApple is already pushing government agencies to resolve this issue. Another trade issue is the U.S. Free Trade Agreement with Central America and the Dominican Republic (CAFTA-DR), which would allow U.S. apples free access into several key nations. USApple is working to gain approval of this treaty in Congress.

Beyond international trade, there are a number of production issues that will require a strong national organization to make sure

the industry is adequately represented. Top on that list is crop protection tools -- namely pesticides.

USApple is working closely with chemical manufactures and the U.S. EPA to ensure that apple growers have a stable of safe and affordable products they can use to protect their crops from disease and pests. Guthion is one of the first chemicals that will be decided this year, and so far, the outlook is cautiously positive for its continued availability.



USApple President and CEO Nancy Foster explains the gravity of the threat posed by Chinese apple and apple product imports to the U.S.-China Economic and Security Review Commission in early February.

Political issues such as the Specialty Crops Competitiveness Act, agricultural labor reform and the next Farm Bill also rank high on USApple's list of priorities for 2005.

The bottom line is that USApple will spend 2005 working to maximize the profitable opportunities available for apples and apple products. We are committed to returning value to our members on their investment in the organization. As our mission statement says, we will "provide the means for all segments of the U.S. apple industry to join in collective efforts to profitably produce and market apples and apple products." 🍏

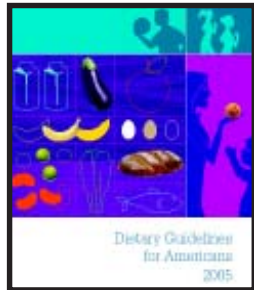
Dietary Guidelines Offer “Blueprint” for Health

The U.S. government recently released its latest update on its recommendations for healthy eating. The 6th edition of the *Dietary Guidelines for Americans* contains exciting possibilities for the apple industry.

Overall, the *Guidelines* suggest a balance between diet and physical activity, consumption of nutrient-rich calories, and choosing wisely from each food group.

"The *Guidelines* offer Americans achievable goals for controlling weight, building stronger muscles and bones, and preventing chronic diseases such as heart disease, diabetes and some cancers," said Secretary of Health and Human Services Tommy Thompson. "The *Guidelines* give Americans the information they need to make the right choices each and every day."

The *Guidelines* "provide a blueprint for action, a blueprint based on the latest and best science available," added Agriculture Secretary Ann Veneman. "With the new *Guidelines* as a basis, USDA will update nutrition assistance and



education programs to help provide nutritious foods . . . and to teach about healthier lifestyles."

What About Apples

The *Guidelines* list fruits as a food group to "encourage." Specifically, they call for two cups of fruit per day for the average consumer on a 2,000-calorie diet. In previous guidelines, 1/2 cup of cut fruit or one medium apple was considered a "serving." So, the new *Guidelines* suggest at least four servings of fruit per day -- more than the traditional

"apple-a-day."

Americans should "consume a sufficient amount of fruits and vegetables while staying within energy needs," according to the *Guidelines*. This will result in increased awareness of the health components of apples.

The *Guidelines* also urge consumers to "choose fiber-rich fruits, vegetables and whole grains often." Fiber has been shown to aid in disease prevention, and apples have been certified as an "excellent" source of fiber. A

medium-sized apple contains five grams of fiber, or 20% of the recommended daily intake

Encouragement from the government for increased fruit consumption can be a plus for apple sales.

The Next Step

At 71 pages, the *Guidelines* provide more details than past issues of the guidelines, and pose a daunting challenge for the average consumer. The report identifies 41 key recommendations; 23 of these are for the general public. The other 18 are for special populations such as children, women who may become pregnant, or Americans who are over the age of 50.

The next step in the process is the development of the Food Guidance System, previously the Food Guide Pyramid. It will clarify serving and portion recommendations for the food groups. The Food Guidance System will likely be released in early spring of 2005.

Currently, the Advisory Committee for the Guidelines is suggesting 5-13 servings of fruit and vegetables per day. This expected increase in recommended consumption offers exciting opportunities for the industry. 🍏

Imports Could Harm U.S. Apple Growers

China Imports (from page 1)

damage to be done to the local industry before growers are able to seek a remedy to the problem. They are also too expensive."

The cost of a remedy is often out of reach for growers. "The cost of filing trade remedy petitions and fully participating in the process over a sustained period of time is considerable," explained Foster. "This fact may impair the ability of companies and industries to utilize trade remedies even though they may have a strong case for a com-

plaint."

There is a concern that "cheap imports of processed apple products will force U.S. [apple] processors to discontinue their processing activities in favor of marketing imported processed apple products, or move their processing facilities to low cost countries like China," USApple said. This could cause the U.S. apple industry to "sustain massive dislocation and economic harm."

Chinese imports impact the juice market. About 42 percent of U.S. concentrate imports come from China, and U.S. growers are

receiving lower prices as a result. While relief was available through an anti-dumping ruling, that ruling was gutted by the U.S. Department of Commerce after a Chinese appeal.

"U.S. apple exports are already being replaced by Chinese apple exports in third country markets," Foster told the Commission. "China is expected to triple its exports since 2000, and is now a major competitor with the U.S. in many South East Asian markets as well as in Canada and the European Union." 🍏

Keeping Apples “Top of Mind” for Consumers

For years the adage “An apple a day keeps the doctor away,” has testified to the health and nutrition value of apples. Now, as consumers become more market savvy and competition in the produce aisle increases, USApple is giving the phrase a modern twist. Research into the specific health benefits of apple consumptions and getting those results into the hands of the consumer is a top priority for USApple’s education program.

USApple’s consumer education and nutrition research program was exciting changes in 2004. Wendy Davis was hired to serve as the new director of communications and consumer health at USApple. She will use of her unique blend of nutritional and marketing expertise as to educate consumers on the benefits of enjoying apples and apple products. As a registered dietitian holding an MBA with a concentration in marketing, Wendy is uniquely for the position. In addition, USApple also chose Chicago-based public relations firm DomeHK as a professional partner to assist with the program.

USApple is also working to keep apples top of mind for consumers eating outside of the home, by working closely with the giants of the foodservice sector. A new and growing relationship with



Staff members of USApple and DomeHK pose with USApple Trustee John Rice outside his packing house.

McDonald’s has allowed USApple to play a role in the consumer education surrounding the company’s fresh apple slices, known as “Apple Dippers” and the launch of its new “Fruit N Walnut Salad.” McDonald’s expects to sell about 35 million pounds of apples each year as “Apple Dippers,” and that could as much as triple with the addition of the new salad.

A major piece of the 2004 program was “Pick Apples!” This project put more than 17,000 apples directly into the hands of consumers.

Timed to coincide with harvest and National Apple Month, “Pick Apples!” also tied in with the 2004 Presidential Election. “Pick-eters” dressed in election themed attire, and carried signs that read “Pick Apples!” “It’s Crunch Time!” and “Apples are a Healthy Choice!”

The impact was felt well beyond the direct sampling. Media coverage and the online voting brought the message to an estimated 37.6 million people.

Research Bears Results

To keep the apple’s healthy image fresh and growing for consumers, USApple continues to fund and publicize research on the ways apples improve health. Several studies were released in 2004, drawing attention to apples and apple products. Working through media releases, the website and other outreach avenues, USApple pressed for the widest distribution of these announcements.

Two new studies on apples affect on brain health and Alzheimer’s disease were conducted and published by Dr. Shea of University of Massachusetts-Lowell and Dr. Lee of Cornell University. The studies found that phytonutrients in apples prevent damage to the brain that is consistent with the effects of Alzheimers. These studies played particularly well with the media, as news articles are still appearing in the press about the results.

In addition to the brain, apples were linked to a reduced risk of certain types of cancers. French researchers linked phytonutrients to a reduced risk of colon cancer. The study found that compounds found in apples and apple foods, reduced the number of precancerous colon lesions by nearly 50 percent.

In the same area of interest, a scientific review by the U.K.’s Institute for Food Research, found that eating fiber- and phytonutrient-rich fruits and vegetables - including flavonoids found most abundantly in apples - may significantly reduce the risk of developing digestive or “gut” cancers. Such cancers are one of the world’s top causes of cancer-related illness and death.

Work by the University of Minnesota suggests eating a couple of apples a day may significantly cut heart disease risk. Apples are an “excellent” source of fiber, as a medium apple provides five grams of fiber. The study found that for every 10 grams of fiber consumed per day, the risk of developing heart disease decreased 14 percent, and the risk of dying from heart disease decreased 27 percent. Fiber from fruits appeared to be more protective than cereal fiber, lowering the risk of death by 30 percent.

Addressing a Crisis

Not all of the work done by the education team is based on positive news. The September 2004 issue of *Prevention* magazine contained a two-page photo spread depicting apples with a “skull-and-crossbones” logo, under the title “Poisoned Apples.” The article, which was about preventing food-borne illness, contained no mention of fresh apples.

USApple immediately contacted *Prevention* and received an apology, a promise that the article would be removed from the website and assurance that they would contact USApple for healthy information on apples for many future articles. 🍏

China Leads List of Priorities for Public Affairs

The USApple Public Affairs team faced a packed agenda in 2004, but at the top of the list was, and still remains, the importation of apples and apple products from the People's Republic of China.

USApple is working on the China issue on two fronts – the political and the technical. It is vital that both areas are covered to be certain that Chinese apples do not pose a health or safety threat to the U.S. apple industry. China has seen a dramatic increase in apple production over the past several years, with a growth rate approaching 400 percent over the last 13 years (see graph).

Chinese imports are not just a concern for apples, but pears as well. Therefore, USApple works under the umbrella of the Tree Fruit Technical Advisory Committee (TreeTAC), since many apple and pear technical and policy issues are related.

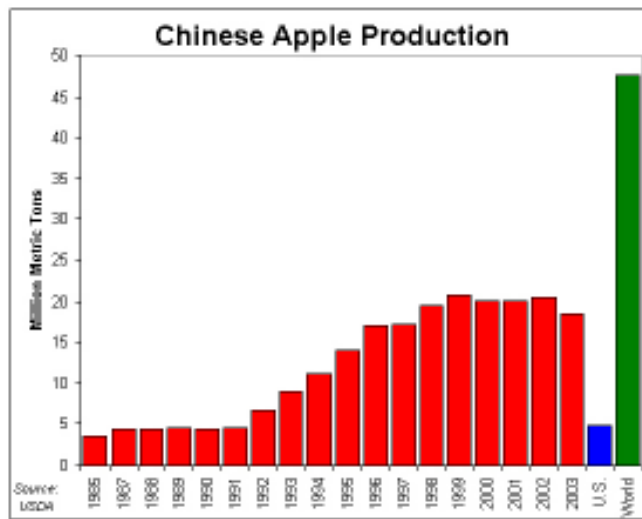
On the technical side, USApple is a technical resource for the U.S. Department of Agriculture's Animal and Plant Health Inspection Service (APHIS) as they certify that imports from China will not transport insects and diseases with the fruit.

With this issue in mind, there are a number of steps that APHIS must take before any agricultural product is allowed to enter the U.S., and this process holds true for apples as well. First, APHIS must work with their Chinese counterparts to develop a comprehensive list of plant diseases and pests that inhabit the orchards in China. Then the list must be analyzed to identify pests that are not present in the U.S. APHIS has completed these first

phases and has developed a list of several hundred diseases and pests, many of which are not currently present in U.S. orchards.

The next steps are for APHIS to develop a pest risk assessment and a mitigation protocol. USApple will present comments on each step.

USApple can also assist APHIS by alerting the agency to other problems arising from Chinese



imports. For example, in February of last year the Canadian Food Inspection Agency suspended fresh apple imports from Shaanxi province in the People's Republic of China due to several discoveries of quarantined organisms on the fruit. This issue is important for two reasons: 1) it shows China's poor track record of implementing pest mitigation programs; and 2) it poses a threat that these organisms could become established in Canada and move into the U.S.

Keeping Politics at Bay

However, while working on the science-based side of the issue, it is important to be vigilant for a "political end-run" to short-circuit the science as part of a political bargain. USApple has already seen, and diverted, one major attempt at such a move.

Last April, the Chinese govern-

ment attempted to cut through the regulatory procedures and approached the Bush Administration with a proposal to import more U.S. agricultural products in exchange for allowing the immediate importation of apples and pears from China into the U.S. USApple stepped in immediately, taking the issue directly to President Bush. The industry was "gravely concerned by a trade proposal from People's Republic of China that would permit the premature entry of fresh apples and Ya pears from China in exchange for the resumption of beef and poultry exports to China," USApple President and CEO Nancy Foster wrote in a letter to the White House. "USApple strongly urges you to reject this quid pro quo proposal, which substitutes political pressure for science and sound evaluation of individual trade policy concerns. USApple encourages you and your administration to strictly adhere to trade principles based on science and the individual merits of each trade issue."

Improving Competitiveness

Because of the increasing pressure from China and other foreign apple growing nations, USApple is playing a leading role in the development and implementation of the National Tree Fruit Technology Roadmap. The goal of this program is to reduce the cost of production and handling by 30 percent by 2010, while improving fruit quality.

USApple has helped put together this coalition composed of tree fruit producer organizations and the research community. Through the Technology Roadmap effort, these groups are working together in a consolidated effort to reduce costs primarily by improving genetics and genomics research

See Public Affairs, page 10

USApple Sees Success from 2004 Legislative Agenda

Despite tough budgets and election-year posturing, USApple enjoyed a number of key legislative victories in 2004. From working to secure disaster assistance for orchardists to pushing for the final approval of the Specialty Crops Competitiveness Act (SCCA), USApple's extensive efforts in Congress brought returns for the apple industry.

One of the major victories for USApple was the passage of the agricultural disaster bill. USApple worked with key apple members of Congress to ensure that the agriculture disaster bill of 2004 included funding for the Tree Assistance Program (TAP). The TAP program provides funds for the replanting of weather killed fruit trees and vines. In addition, the disaster bill was notable for the fact that it treats specialty crops equitably with program crops.

TAP funds will be available in early 2005 for growers with qualifying losses – regardless of where the orchards are located. Because funds for the TAP program must be appropriated by Congress on a case-by-case basis, the program has been available only to growers in a small area, or tree damaged by a specific weather catastrophe in the past.

Another legislative success for the apple industry has set the stage for all U.S. specialty crops to become more competitive in the global market. USApple actively worked with representatives of other specialty crops to lobby Congress on behalf of the SCCA. Building on the success of the state block grants that were included in the 2001 agriculture disaster bill, the SCCA authorizes almost \$50 million for state block grants designed to increase the competitiveness of specialty crops as well as to address some technical and research concerns.

However, the work on SCCA is

not yet completed. While Congress laid out the ground rules for the program, they did not supply the funds to implement it. USApple will be working hard on this issue throughout 2005.

Congressional programs can also have a dramatic impact on apple demand, and USApple helped gain passage of two such initiatives. Joining forces with other commodity groups, USApple pressed Congress for increased funding for USDA's Market Access Program (MAP). Total funding for the program was increased to \$140 million. Of the total distributed in 2004 to the nation's commodity groups, the apple industry received more than \$3.1 million for export promotions.

USApple also worked with other specialty crops and nutrition communities to persuade Congress to expand and make permanent the

fruit and vegetable snack program. The program, which started as a pilot in the 2002 farm bill, allows 25 schools in each of 8 states to provide a fresh fruit or vegetable snack to students. In an evaluation of the program, apples and apple products were the most popular, keeping them top of mind to children as they are forming taste and consumption patterns.

Despite the successes, some issues remain open. In addition to the funding and possible expansion of the SCCA programs, USApple continues to work for passage of agriculture labor reform, and adoption of the Central America-Dominican Republic (CAFTA-DR) Trade Agreement to name just a few. Other issues are perennial and USApple will continue to fight for full MAP funding and the research priorities laid out in the technology roadmap. 🍏

Keys to USApple's Legislative Success

There are a lot of factors that contributed to USApple's success on Capitol Hill, but two key ingredients are communication and keeping apple-friendly lawmakers in Washington.

Having USApple members share their views directly with their elected officials is a very effective way to get the apple industry message out. During the Spring 2004

Board and Committee Meetings in Washington, DC. USApple members from 15 states met with members of Congress to educate them on USApple's legislative priorities.

Also in 2004, USApple took its political action committee (PAC) up to the next level. A new committee was charged with

growing the USApplePAC.

The PAC donated \$14,000 to 17 House and Senate candidates in 2004. Candidates were chosen based on their support of the industry and position on key Committees. Virtually all of the

recipients represent key apple regions.

In addition to supporting long-standing friends like Reps. Doc Hastings (R-

WA) and Maurice Hinchey (D-NY), in 2004 USApplePAC made contributions to new candidates Randy Kuhl (R-NY) and Jim Costa (D-CA). These candidates were running for open seats and won their respective races. Both have secured spots on the House Agriculture Committee. 🍏



Program Working to Build Apple Awareness at Retail

USApple's National Apple Month (NAM) program seeks to increase apple sales through retail and food service marketing programs and enhance consumer awareness and consumption.

NAM provides a boost to the marketing year through the nation's premier fall apple promotion program, which features a retail display contest and foodservice education and recognition awards.

In January 2004, an indepen-



NATIONAL APPLE MONTH

dent panel of judges reviewed more than 900 retail display entries, and crowned 18 retailers "Best Apple

Display Builders." Meijer of Grand Rapids, MI, was honored as the 2004 "Apple Merchandiser of the Year" for doing the best job of merchandising apples and apple products throughout the year.

NAM was honored to have three outstanding partners for the 2004 fall retail display content. T. Marzetti's® Company returned for their second consecutive year, committing its sales network and retail store presence in support of the fall retail and military display contests. The National Peanut Board also collaborated in retail display contests. Get Fit Foods partnered with NAM in an effort to attract consumers and increase apple sales and consumption.

Nearly 70 industry and allied industry members lent their support for the 2004 program, including state and regional apple associations, apple processors and individual industry members.

Over the course of the year, NAM distributed promotion materials to more than 20,000 retailers, sponsors and program members industry wide, encouraging expanded retail displays of apples, processed apple products and the tie-in partners from September through November. Retailers were encouraged to submit their entry and vie for cash prizes and national recognition.

NAM staff also worked with major retail chains and wholesale customers, including Super Valu, Bruno's, Giant, Wal-Mart, Safeway, Weis, Bashas and others, to encourage promotion and advertising of apples and apple products.

NAM continued its extremely successful military commissary fall display contest in 2004, designed to reach the thousands of consumers shopping in military commissaries.

For more information, call National Apple Month Director Kay Rentzel at (717) 432-0090 or email krentzel@usapple.org.



INDUSTRY INFORMATION

Tracking Apple Industry Trends

To plan the next step in any endeavor, it is important to first know where you are now – that is the job USApple's Industry Information program does for the apple industry. From apple production, holdings and trade, USApple provided timely and accurate market information to members and staff during 2004.

The key tool for the Industry Information section remains *Market News*. This monthly publication provided apple storage holdings information as well as other useful information from USDA throughout the year. July's issue of *Market News*, the last published for the 2003 crop, reported 9 million bushels of fresh apples in storage at the conclusion of the reporting year. This number was below that of July 1, 2003, and the five-year average.

An abundant crop due to good growing conditions in many apple-growing regions replenished supplies. Over 106 million bushels of fresh apples in storage on Nov. 1, 2004, were reported in the first *Market News* of the new market year. The December report showed significant movement in November, which was attributed to the high

quality crop and good early season demand. December 1 fresh apple holdings were reported at 94.9 million bushels.

USApple also produced *Production and Utilization Analysis* for the Outlook and Marketing Conference. This is the industry's only compendium of crop production and utilization data.

Beyond production and holdings, the Industry Information section also covered international trade issues as they affect the exports of fresh apples and imports of processed apple products and apple juice concentrate. International trade is becoming a wider concern to the apple industry as new trade treaties are being implemented and China increases its apple production and exports.

Changes in federal crop insurance have brought questions from members and the industry as the changes impact their businesses. USApple worked with USDA's Risk Management Agency staff to address concerns.

Mark Bowen joined the USApple in October as Industry Information Manager. You may contact at (800) 781-4443 or email mbowen@usapple.org.



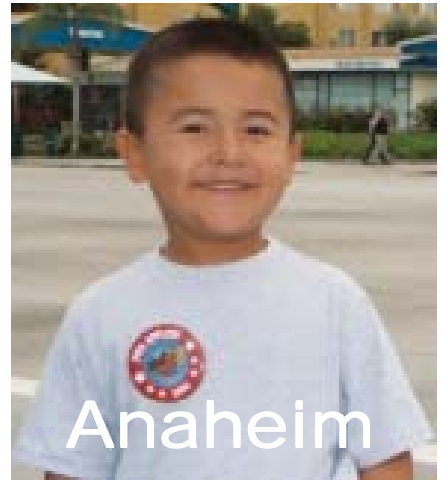
USApple Urges Americans to “Pick Apples!”

With stops in Anaheim, Seattle, Chicago and Philadelphia, USApple took to the streets urging consumers to pick the “healthy” candidate this election season and “Pick Apples!” More than 17,000 apples were distributed directly to consumers and coverage of the event in the media and on the internet reached many, many more.

See the education report on page 5 for more information on the 2004 Pick Apples! campaign.



Anaheim



Anaheim



Chicago



Seattle



Philadelphia



Philly

Public Affairs: Beyond China

Public Affairs (from page 6)

and breeding technology.

Genetics and genomics can reduce production costs through development of disease or insect resistant apple varieties. It could also improve characteristics related to taste, texture, size, skin color, flesh color, shape, appear-

ance, processing, storage, and tree growth, tree size and flowering.

As a secondary focus, the Roadmap is working on other areas, such as sensor technology, automation and precision agriculture.

USApple was encouraged as the project moved forward in 2004. The Roadmap received a \$4 million competitive grant from USDA,

which will be used in genomics research on Rosaceae crops, including apples.

Obtaining and maintaining funding for this important research will remain a clear priority for USApple in 2005.

Other Regulatory Issues

At USApple's recommendation, a new apple crop insurance program was implemented by USDA in 2004. The Association's Risk Management Task Force worked with USDA in the development of the revised apple insurance policy.

The new apple crop insurance policy now covers all major weather-related risks. U.S. apple growers will now be protected from perils, such as hail, sunburn, spring frosts and late season freeze, without having to select additional optional coverage.

In addition, the revised policy expands the grade standard definition to include state standards, which will allow growers to insure higher grades once data are available to incorporate higher grades into the policy. Additionally, improvements were made in the language used in the policy to make it clearer and more readable.

Maintaining crop production tools was another area for USApple in 2004. With the U.S. Environmental Protection Agency critically evaluating registration issues for many different agricultural chemicals, USApple was on point to present the position of the apple industry in these discussions. USApple worked to maintain the use of key crop protection tools, including: naphthalene acetic acid; methyl parathion (PennCap-M®); triazine compounds (including atrazine); formetanate hydrochloride (Carzol®); azinphos-methyl (Guthion®); Ziram; and carbaryl (Sevin®).

In addition to work on specific issues, USApple also represented the industry on issues such as spray-drift regulations and the Endangered Species Act. 🍏

Meet the Staff of USApple

USApple's commitment to quality, service and results continued in 2004 as new staff joined our team. Please contact any of our staff with questions or concerns.

USApple Headquarters
8233 Old Courthouse Rd
Suite 200
Vienna, VA 22182
(703) 442-8850



Nancy Foster,
President & CEO
nfoster@usapple.org



James Cranney,
Vice President
jcranney@usapple.org



Melaine Sprigler,
Finance & Admin.
msprigler@usapple.org



Diane Coates,
Public Affairs
dcoates@usapple.org



Wendy Davis,
Consumer Health
wdavis@usapple.org



Mark Bowen,
Industry Information
mbowen@usapple.org



Shannon Schaffer,
Membership/Comm.
sschaffer@usapple.org



Kevin Terry,
Administrative Assist.
kterry@usapple.org



Kay Rentzel,
Nat. Apple Month
krentzel@usapple.org

USApple Maintains Tradition of Fiscal Responsibility

USApple's finance and administration program oversees the association's financial and personnel activities, ensures association compliance with all applicable state and federal laws and guidelines and keeps USApple running smoothly.

An audit of USApple's accounts for the fiscal year ending June 30, 2004, has been completed. The audited Statement of Activities shows revenue of just over \$2.8 million against expenses of approximately \$2.3 million, increasing net assets to almost \$2.2 million. This is a significant increase from the 2003 net assets of just under \$1.7 million.

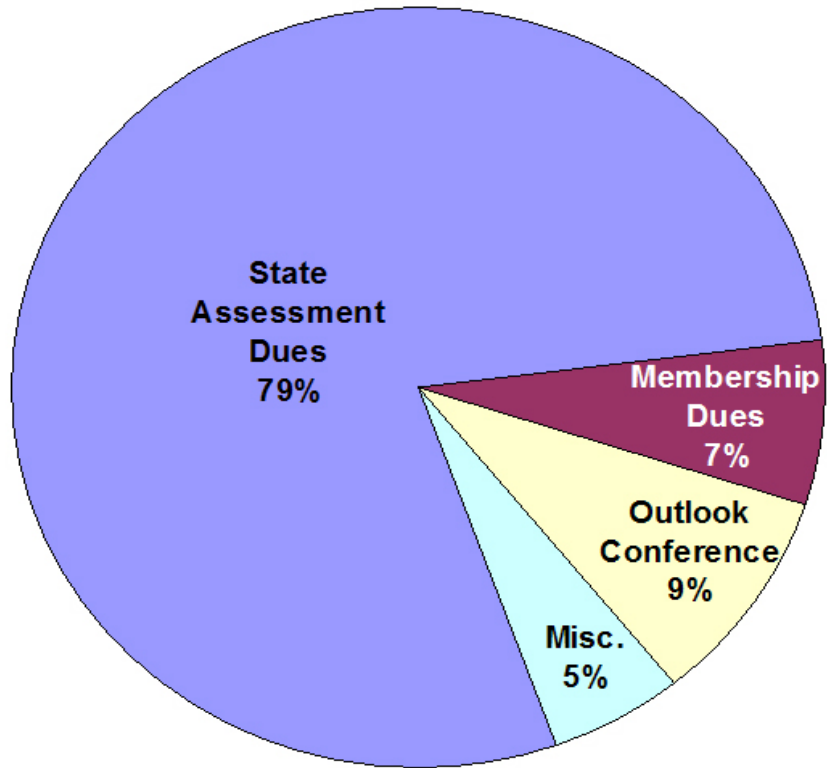
As in previous years, state assessments brought in the lion's share of USApple's budget, supplying 79% of the total funds. The annual Apple Crop Outlook and Marketing Conference was the second largest contributor to USApple's budget.

The public affairs and education programs continue to be the focus of USApple's efforts for the industry, and represent the largest share of the Association's expenditures.

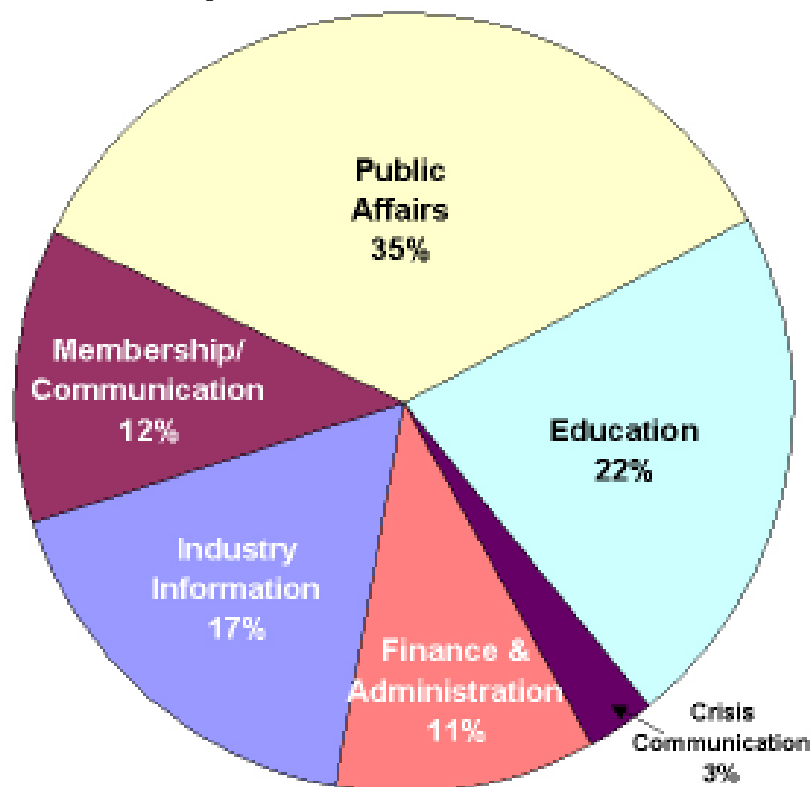
In addition to USApple's general program budgets, the association's Statement of Activities includes separate accounts for National Apple Month's domestic retail and foodservice promotion program, and U.S. Apple Export Council's (USAEC) export promotion program. USAEC's account encompasses the Market Access Program funds received from the U.S. Department of Agriculture. The Association also administers separate financial accounts for the Coalition for Fair Apple-Juice Concentrate Trade (FACT) and the Tree-Fruit Technical Advisory Council (TreeTAC). These programs are funded through voluntary assessments of industry members and state producer associations.

For more information, contact USApple's Director of Finance and Administration Melaine Sprigler by telephone at (800) 781-4443, or email at msprigler@usapple.org.

Actual Income as of June 30, 2004



Actual Expenses as of June 30, 2004



Presenting an “Outlook” to the Apple Industry

There is one place that the apple industry turns for a timely and accurate look at the coming U.S. apple crop, a glimpse at other global markets and coming consumer trends impacting the apple industry—USApple’s **Annual Apple Crop Outlook and Market Conference**. It also offered a chance to meet and network with other industry leaders.

One of the key goals of this annual meeting remains offering a forum for the industry to come together and develop its own estimate of the size and relative quality of U.S. apple crop. Occurring a month or so before harvest truly gets underway in most of the country, the crop estimate gives apple growers, shippers, packers and marketers an idea of what to expect in the coming season.


In 2004, USApple was honored to host representatives from Canada, Mexico, China and the United Kingdom to talk about the apple industry in their nations. Other conference sessions addressed the outlook for the apple

processing industry and the situation in juice concentrate markets.

McDonald’s outlined the company’s use of fresh apples in its Apple Dippers and previewed a new product using apple slices.

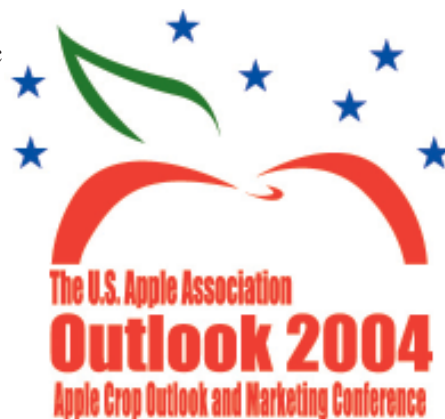
USApple also brings speakers to share their knowledge of marketing and industry trends with attendees. In 2004, Joseph Derochowski from the NPD Group

addressed consumer trends, including low-carb diets, and John Stanton of St. Joseph’s University reviewed food industry trends.

The **2005 Apple Crop Outlook and Marketing Conference** will be held Aug. 18-19 at the Four Seasons Hotel in Chicago, Ill. For more information, contact Shannon Schaffer at (703) 442-8850 or email sschaffer@usapple.org. 

USApple Thanks the 2004 Apple Crop Outlook and Marketing Conference Sponsors

- Bayer CropScience
- Syngenta Crop Protection, Inc
- BASF Agricultural Products
- Cerexagri
- Dow AgroSciences
- Gowan Company
- Makhteshim Agan
- Mott’s North America
- SmartFresh
- Tree Top, Inc.
- Valent BioSciences
- Vance Publishing
- Haisheng USA



© *Apple News* is a publication of the U.S. Apple Association. Reproduction in whole or in part of the material contained herein is prohibited without prior permission from the association. For more information, contact the association at 8233 Old Courthouse Road, Suite 200, Vienna, Virginia 22182-3816, telephone (703) 442-8850, or (800) 781-4443, facsimile (703) 790-0845 or online at www.usapple.org.



**8233 Old Courthouse Road, Suite 200
Vienna, Virginia 22182-3816 USA**