

US Apple

**Turning the Tide: How Today's Struggles Will
Redefine Tomorrow's Orchards**

The solution is clear:

A.) By Choice

B.) By Force

August 2025



How did we get here:



Since 2014...our last 142 million box crop:

Supply:

- We have shifted from varieties that were grown for export and now pivoted to varieties grown mostly for the US and Canadian markets...which are more expensive to grow.

Demand:

- US demand for apples is flat or slightly in decline
- Export market access and demand has dropped
- More competition from Poland, EU, Turkey, Iran, South Africa, etc...
- Tariffs are an impact, have been an impact for years and uncertain in the future
- Strong US Dollar: foreign purchasing power has declined 25% (US is the world's reserve currency and strong equity markets)

Costs:

- The hourly rate has gone from \$12 to \$20 an hour plus a \$5 per hour H2A overhead burden plus the capital costs of housing
- The farmgate break-even cost has almost doubled

How did we get here:

Since 2014...our last 142 million box crop:

Conflict:

- Export lost 25% purchase power
- Break-even cost doubled

US Dollar Index versus Global Basket of Currencies



Washington Apple Crops:

Industry volumes increasing during declining export demand



Larger Apple Crops are Forecasted,
and where will the fruit be sold with
the declining Export Markets?

US Market: 95 million case

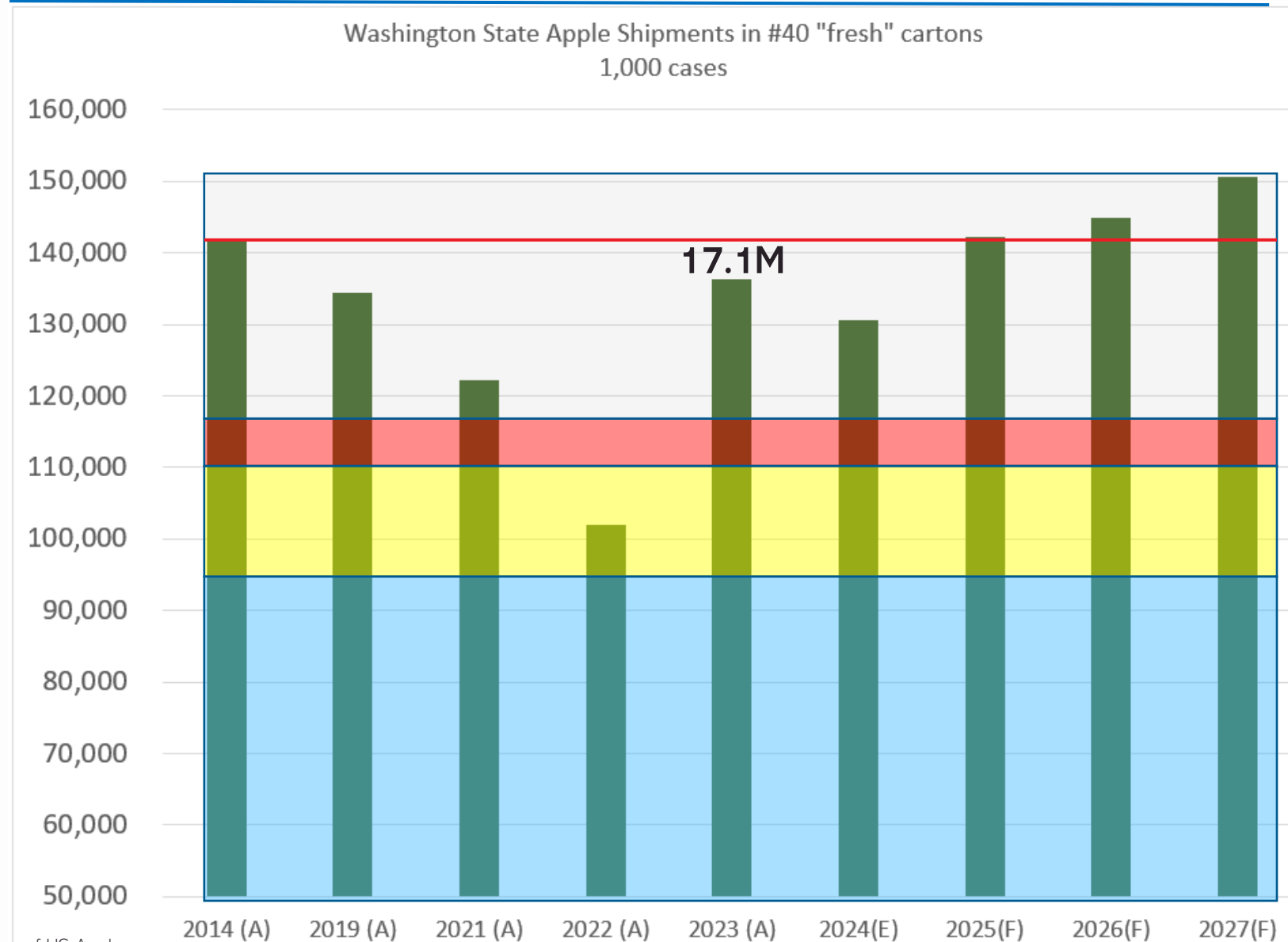
Mexican Market: 15 million
case

Canadian Market: 7 million
case

Off-Shore Export: 25 million
case

Note: 28 million cases was the prior
record in 14'

Miss: Industry's assumption of
selling off-shore export above cost
of production



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Most new varieties have break-even
prices above \$35 FOB/box, and
Export prices are value prices around
\$25 FOB/box

Miss: pivoting to Domestic, then WA
over-supplied the Domestic Market.

Washington State Apple Shipments by % of Variety

Non Exportable: Granny, Cosmic, Honey,
Ambro, Pinks & Other

Gala

Exportable: Red, Gold, Fuji

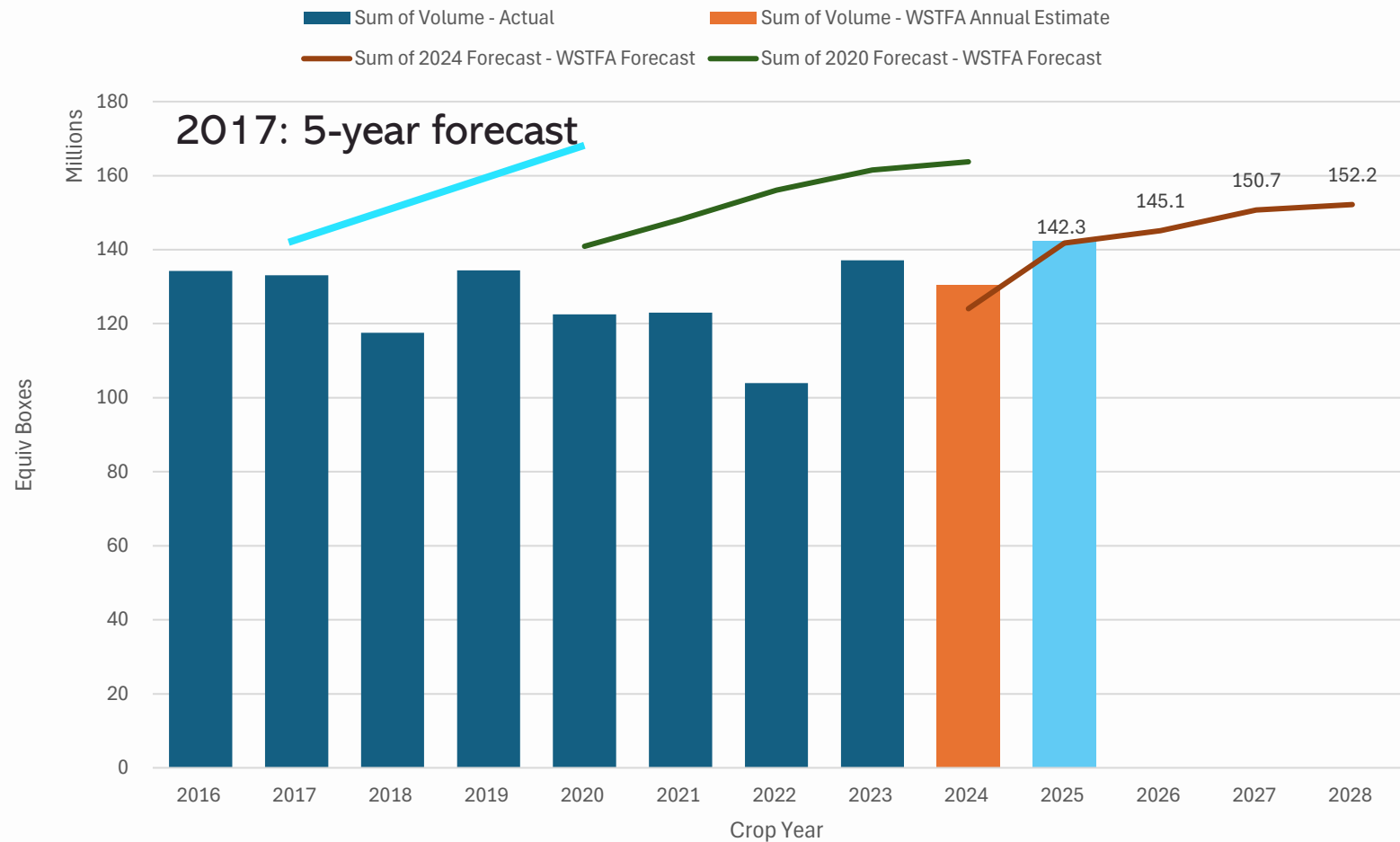
■ 23' Mix % ■ 14' Mix %

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Industry Forecast – All Varieties



All Varieties - Forecasted Fresh Shipments

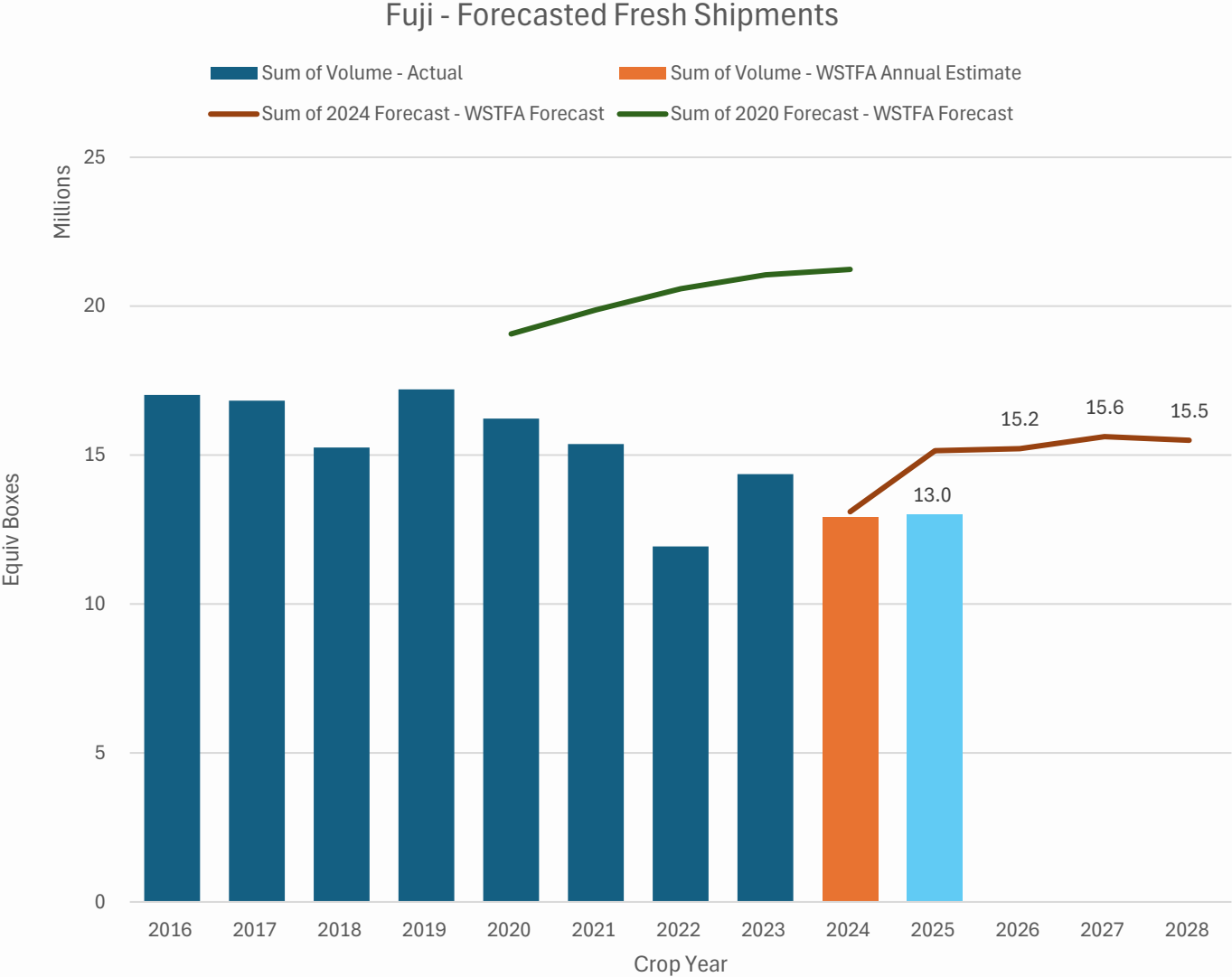


Industry Red Delicious



Red Delicious - Forecasted Fresh Shipments

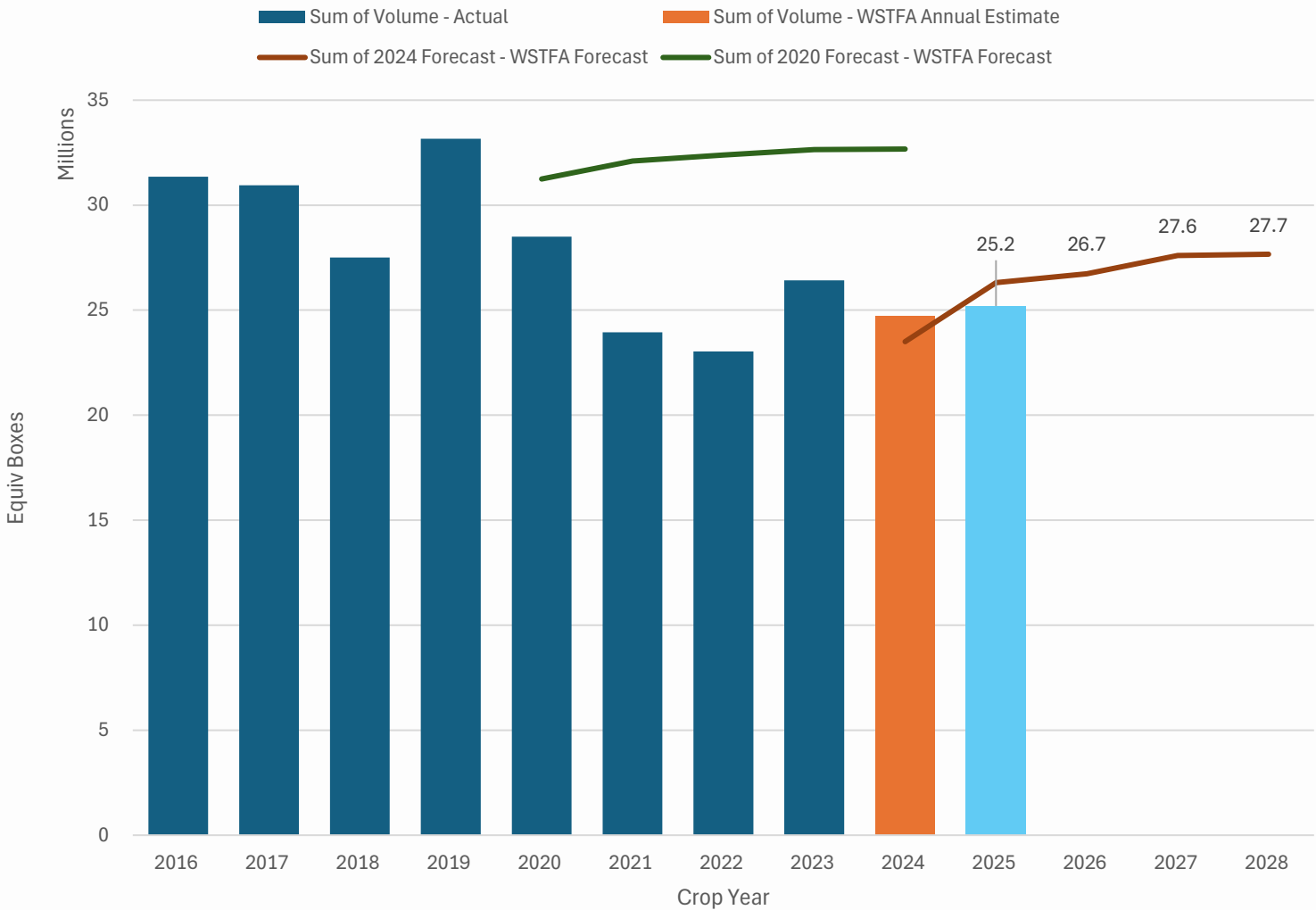




Industry Gala



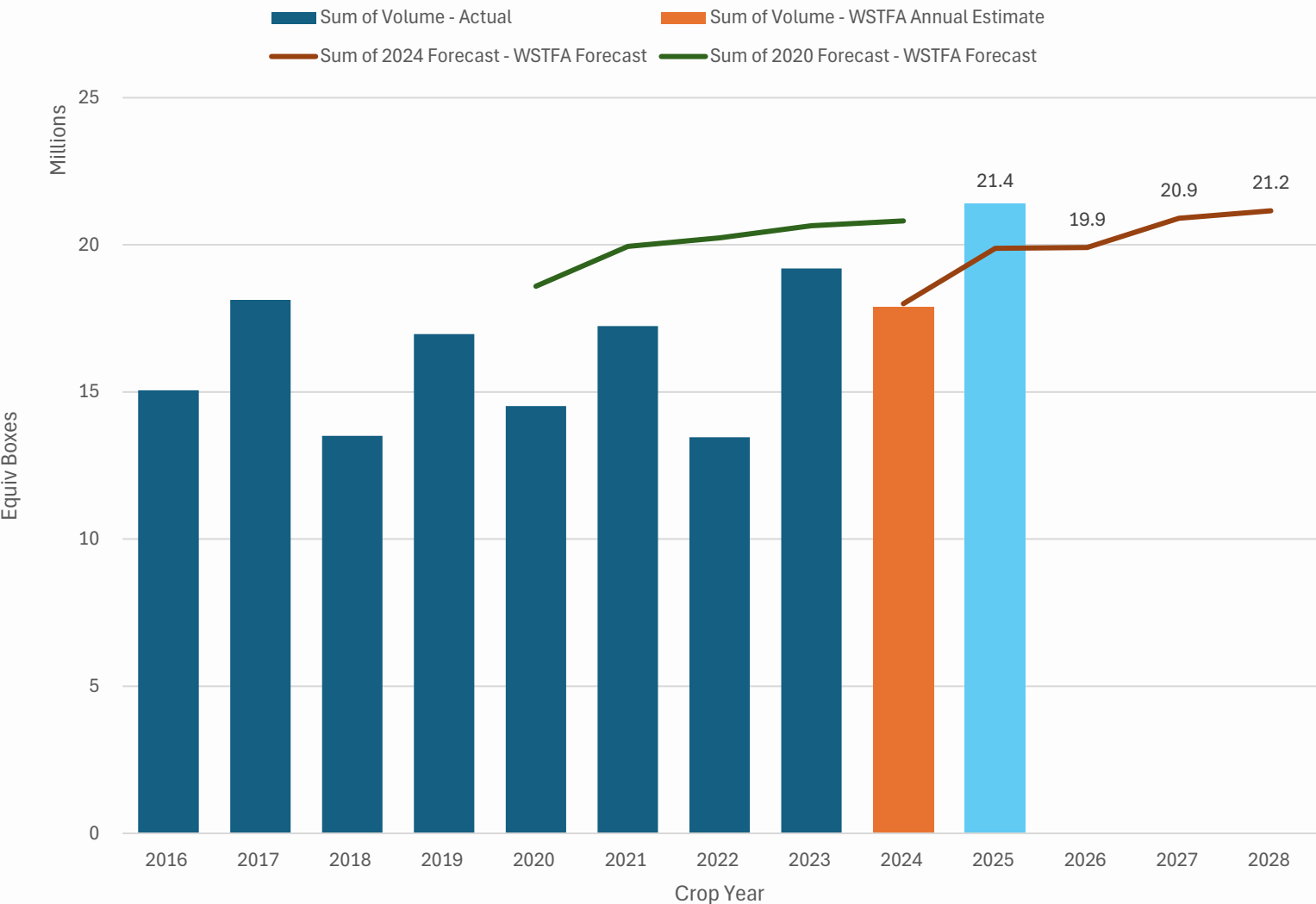
Gala - Forecasted Fresh Shipments



Industry Granny Smith



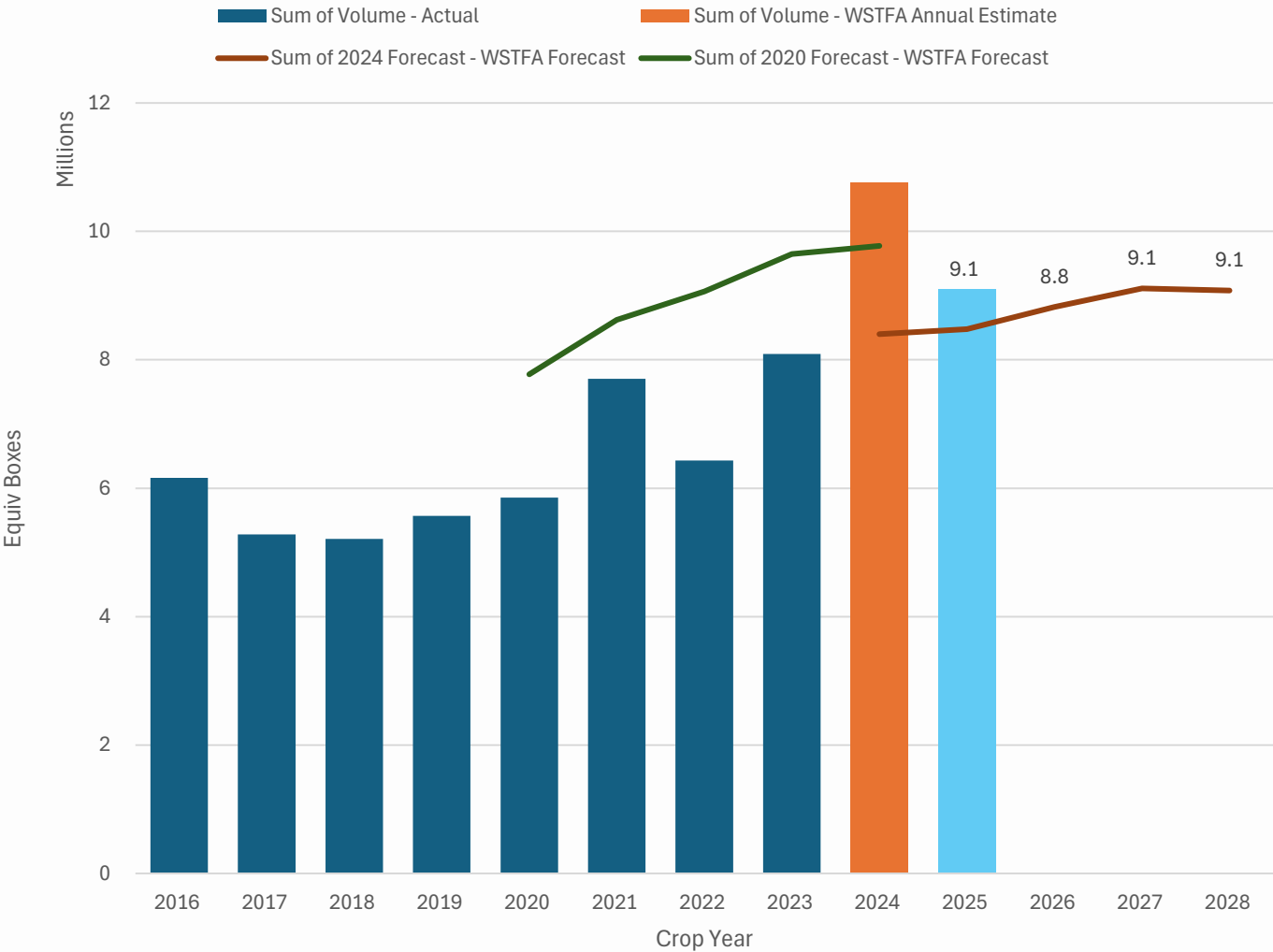
Granny Smith - Forecasted Fresh Shipments



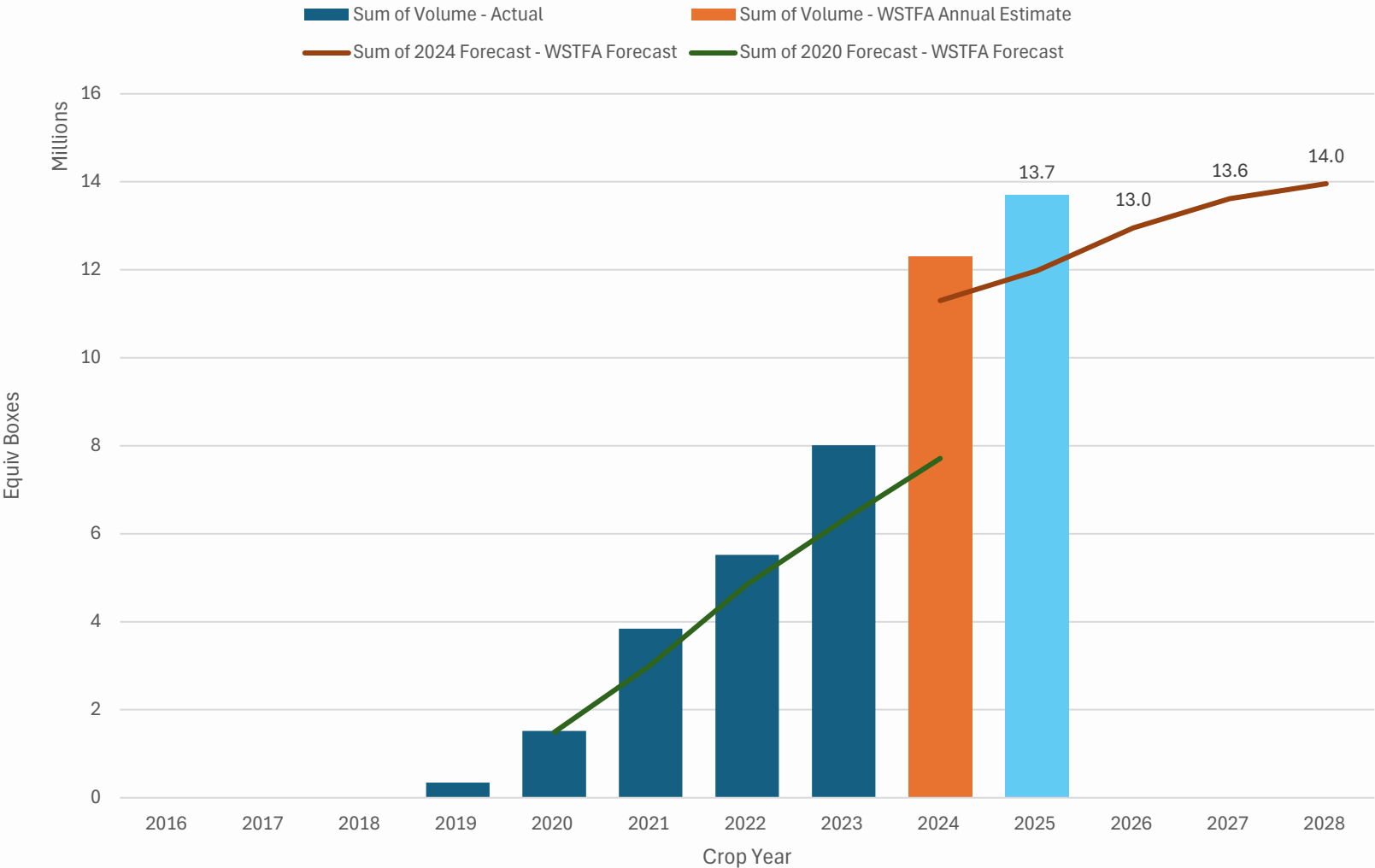
Industry Cripps Pink



Cripps Pink - Forecasted Fresh Shipments



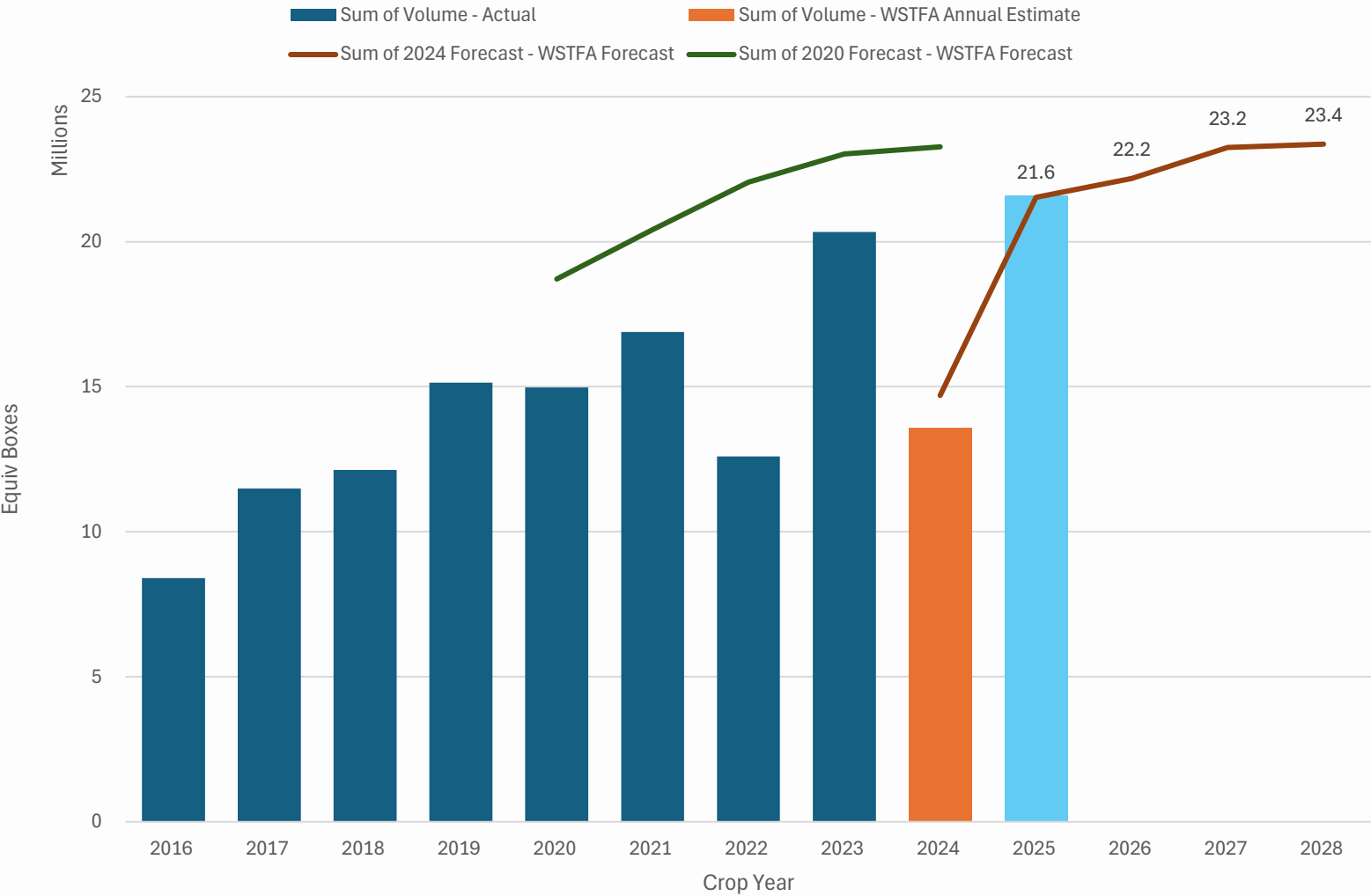
WA38 - Forecasted Fresh Shipments



Industry Honeycrisp



Honeycrisp - Forecasted Fresh Shipments



Industry Forecast – All Varieties

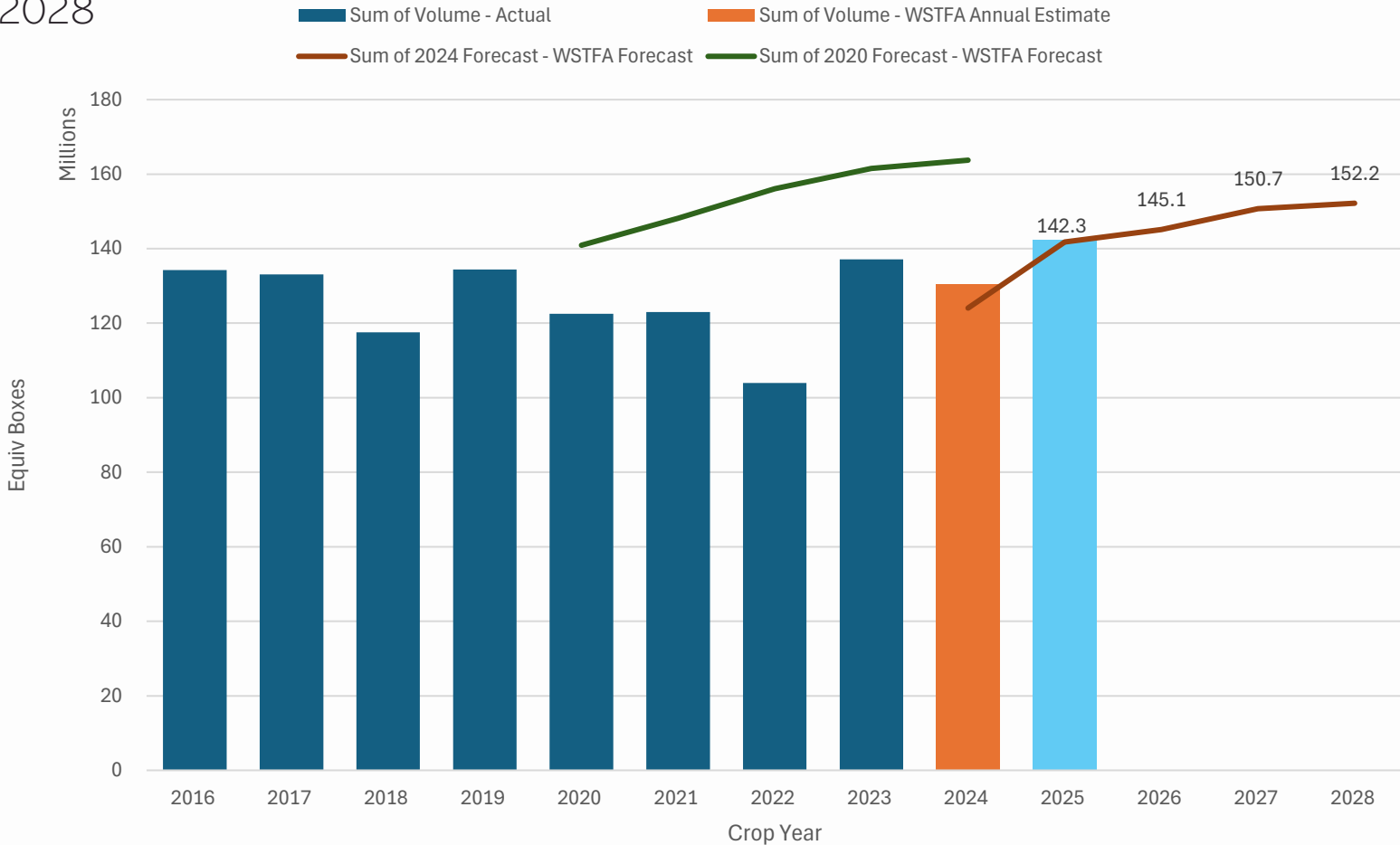


Summary: 2025 vs. 2028

- +2: Cosmic
- +2: Honeys
- +2: Fuji
- +3: Others

Granny: flat
Pinks: flat
Reds: flat

All Varieties - Forecasted Fresh Shipments



Industry Cause and Affect



Economic strains:

- 25% of the marketers have exited/merged with other marketers: this the early phase of economic downturn is driven from poorly aligned varieties, over-leveraged, generational succession and a lack of willing to re-invest.
- Whole Farm Crop Insurance Revenue Policies are now starting their 5th crop of low returns:
 1. 2021 Crop was reduced by excessive field heat in June
 2. 2022 Crop was reduced by excessive hail and spring frost
 3. 2023 Crop poor pricing and over supply
 4. 2024 Crop still low pricing and over supply
 5. 2025 Crop is forecasted to have low pricing and over supply

Industry Cause and Affect



Economic strains:...continued

- The banks are starting to call loans and not renew lines of credit. The major acreage reduction has NOT occurred yet.
- Intuitional buyers are not buying orchards and Alternative Lenders have stepped into traditional banks in lieu of foreclosure
(Definition: Alternative Lenders act like a bank that is unregulated by the Federal Reserve System. They loan money at higher interest rates related with risk of borrower.)
- Bankruptcy allows a debtor one year of redemption to reorganize the debt or find a new lender, which delays correction

Opinion:

- The size of the crop is no longer the amount of fruit on the trees, it's the amount of fruit that can be packed and sold
- The 2025 crop could be the bottom of the market
- The 2026 crop will not be much better
- We anticipate larger orchard removal after the 2025 crop

Solution:

- The Washington State Crop must get below 125 million fresh boxes...by choice or by force

Industry Cause and Affect



Economic strains:...continued

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Options to go from 142 million to 125 million fresh boxes in Washington = 12% reduction

- Represents a 6 week supply
- 12% equals, 3 ppb less on 23 bushel bin, of lower grades and sizes
- Increase harvest cost by 25% to sort pick, 12% fewer lower grades and sizes
- 17 million boxes, equals around 20,000 to 17,000 acres of removals
- Remove 12% of your worst performance orchards

What will be the drivers of the reduction?

Directional Statement around the future:

- Only the best orchards can survive, strong yields with size and color demanded by North American retailers
 - ✓ Horticultural Acumen, Genetics and Location
 - ✓ Harvest Management:
 - Selective “fresh” harvesting for apples that have chance to satisfy a consumer
 - Orchard Run processor markets will play a role for obsolete varieties, sizes and grades
- The best orchards need to find the best pathway to the market:
Marketers (Washington) that have a correct balance of:
 - ✓ Convectional and Organic Apples and Pears Apples
 - ❖ Key Point: Proper Mix of Varieties
 - ✓ AND something sticky
- Find ways to create scale on the post-harvest side of the business to drive down costs with automation

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Directional Statement around the future:

- Only the best orchards can survive: strong yields with size and color demanded by North American retailers
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Marketers (Washington) that have a correct balance of:
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- Scale on the post-harvest side of the business to drive down costs with automation

- Export Markets will not save us
- Consolidation will not help, we have filled every market around the world
- Obsolete packing and distribution facilities will no longer operate
- Marketing spend won't move the needle enough, quickly enough
- Crop Insurance has run its course
- Please, no more government support
- The agronomic rules of yield per acres, size, color and packout will determine the winning orchards...don't underestimate horticultural acumen
- Marketers need a clear supply strategy that aligns with a customer strategy
- Post-harvest automation with scale can help reduce packing and distribution costs
- The bottom is near, and the J-Curve is a little further out

Call to Action: Raise the Standard

- Goal: 1 more apple per customer month
- US Apple Consumption: 18lbs = 45 apples
- 12 more apples = 26% increase!

Day will follow Night



Historical Causes of Apples Cycles:

- Varietal change
- Technology advancement
- Demand Shock

Washington State has a bright future in Apples:

- Climate
- Irrigation
- Soils
- Infrastructure
- Human Capital
- Research
- We 3 markets that will buy 117 million boxes of apples!!!

The Last Washington Apple Cycle: 1998 to 2006

Apples: Acres by Area, Washington, January 1, 1993, 2001, 2006				
	1993	2001	2006	Delta
Yakima Valley	78,000	90,500	66,700	(23,800)
Wenatchee Valley	56,000	54,000	38,900	(15,100)
Columbia Basin	31,000	37,500	55,700	18,200
Other Areas	7,000	10,000	11,500	1,500
	172,000	192,000	172,800	(19,200)

(Sources: WSDA 2006 Tree Survey)