KEEPING ABREAST OF THE APPLE MARKET

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Keeping abreast of the apple market throughout the season is a major problem for many participants in the Washington apple industry. Shippers need market guidance in making sales, warehouse managers in planning production schedules, growers in choosing the best timing of sales.

The larger operators can afford specialist clerks to collect and analyze market information. However, most operators must find a few spare moments in a day or a week to scan market reports, if only hurriedly. Often the scanning is unproductive. The operator does not have the key reports on hand or does not know which data to focus on or cannot relate the available data to what has previously happened in the market.

This publication proposes a planned approach to keeping abreast of the market. Even though you may have only a few minutes to spare per day or per week, this approach will:

1. Allow you to understand key market trends at any time.
2. Permit you to build up a stock of information so that you can compare what has happened in different market periods.
3. Help you to make better predictions about future market trends.

Three Simple Steps to Setting Up the System

The proposed system requires only a little effort on your part. Putting it into operation requires three simple steps.

1. Decide on the market information you are going to collect.
2. Get yourself on the appropriate mailing lists.
3. Chart the information the day you receive it.

Deciding What Information To Collect

The size and composition of the apple crop at harvest time strongly influences the general level of prices and marketings for the remainder of that marketing year. In addition, day-to-day factors throughout the season, e.g. special promotions, strikes, weather, activities of competitors cause fluctuations in prices and marketings. The student of the apple market wants to know both the broad picture for the current season and the short-term movements. The main problem facing a beginner is the volume of price and quantity data available for different varieties, sizes, pack-types, etc. He must select a few key series which will give him an up-to-date picture with the minimum of effort.

Charting the Information

The value of charting market data. The old adage says “A picture is worth a thousand words.” In keeping abreast of the market, one good picture is worth a thousand numbers. With a little planning, your charts can give you at a glance a summary of market changes from day to day or week to week or even over a period of years.

Pictures are most useful for making comparisons, e.g. the price of Red Delicious with the price of Golden Delicious. Choose the comparisons that are most relevant to your business needs. Keep your comparisons simple. A confused picture is worse than no picture. Your goal should be to have an up-to-date picture of broad market trends with as little work as possible.

How to make charts. You can find excellent books on how to make charts in almost any local library. You can also see many practical examples in the business pages of major daily newspapers and weekly news magazines. The only materials you need are graph paper and pencils. Finesse in chart-making is not important. The value of your charts will relate directly to how clear and simple a story they tell about the market.

Getting the Big Picture for the Current Season

What charts will help you get the perspective for the season?

The price Washington growers in general receive for their apples in
any year will depend heavily on the quantity of apples harvested in Washington and throughout the United States. Let's start by charting the estimate of 1972 production so that it can easily be compared to previous crops.

The January 1, 1973, estimate is 5,828 million pounds. In Figure 1, you draw a horizontal line (1) for 1972 at 5,828 million pounds. Then the vertical lines (2) can be drawn and you have a bar.

The same January report estimates Washington production at 1,450 million pounds. Another horizontal line (3) drawn at the 1,450 million pound level gives an added feature to the bar. The total height is United States production, the bottom cross-hatched part is Washington, and the rest of the bar is production in the rest of the country.

Now you can examine the chart to see what it says:

1. Total United States apple production in 1972 is slightly below the 1971 level.
2. Washington has a 20 percent larger crop than in 1971.

A similar chart can be used to divide the total production among the varieties produced. First, you draw the total production bar again. Red Delicious production is estimated at 1,810 million pounds, so a horizontal bar (1) is drawn on Figure 2. Golden Delicious production is estimated at 790 million pounds. In this chart, this production is added on top of the Red Delicious production.

Reds 1,810 million pounds  
Goldens 790 million pounds  
Reds and Goldens 2,600 million pounds

Draw line 2 from this information.

The McIntosh production is added on to the Red and Golden production to determine line 3. You now have the 1972 apple production bar divided up among three varieties plus one segment for all other varieties. What does this chart (Figure 2) tell you?

It says very simply that we will be marketing just about the same volume of Reds, Goldens, and McIntosh apples in 1972 as we had in 1971 and also in 1970.
Next, utilization of apples is important. That is, the amount of apples going to the processor influences the volume that is sold fresh.

You cannot chart anything yet for 1972 other than the total estimated production (Figure 3), but with the past years’ record before you, you can do some thinking.

If we process the same amount of apples in the United States this year as we did last year, we’ll have 5 percent fewer apples to market fresh.

If Washington processes the same volume it did last year, we’ll have 27 percent more apples to sell on the fresh market.

If Washington State wanted to limit the volume sold fresh to the volume sold last year, we would have to increase our use of apples by processors by 88 percent.

You may be saying to yourself, “But I’m interested in what price is likely to be.” All right, let’s chart the prices of Reds, Goldens, and Winesaps for the past few years. Here you can simply plot a point (1), $6.10 per box F.O.B. for X-F Reds in 1971-72, and connect that point with the $5.30 point (2) in 1970-71. When the information is available for the 1972-73 season, you can plot it and the line shows the movement of the price of X-Fancy Red Delicious apples from season to season.

Similarly, you plot the season average price for the other varieties and for the Fancy grade of those varieties.
Then what does the picture (Figure 4) tell you?

1. Prices dropped in 1969-70. (If you look back at the production charts, production increased sharply in 1969 both in Washington and in the rest of the country. Production of Reds particularly was greater.)

2. Prices of the varieties generally move together but not always.

3. Particularly in 1971-72, Golden Delicious prices dropped from those of the previous year, whereas prices of Reds and Winesaps went up. Goldens had quality problems in 1971-72.

4. Prices of Fancy apples are 50 cents to $1 lower than the X-Fancy grade.

Looking at the price chart may help give you an idea of what the prices in 1972-73 may turn out to be.
To get the big picture, you also need to see the nature of the uncertainty in the early market. Price uncertainty is the result of the uncertainty regarding the size of crop. So let's chart the July 1 and the October 1 estimates of the crop size for this year and last. In 1971-72, the early estimates were pretty close to the final figure for the United States crop, but Washington's early estimates were low compared to the realized actual production (Figure 5). Note that the October 1 estimate was 100 million pounds lower than the July 1 estimate, but that the actual turned out to be 100 million pounds greater than the July estimate, 200 million pounds more than the October estimate.

A second source of uncertainty is the question of how much of the production will be put into storage. Until the October 31 and November 30 cold storage reports, we don’t know.
Look at the 1971 production and the November 30, 1971, cold storage stocks (Figure 6) for all United States apples. The 1972-73 figures are added for comparison.

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<th>1971-72 (million pounds)</th>
<th>1972-73 (million pounds)</th>
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<tr>
<td>Production</td>
<td>6,110</td>
<td>5,828</td>
</tr>
<tr>
<td>In storage November 30</td>
<td>2,560</td>
<td>2,222</td>
</tr>
<tr>
<td>Difference</td>
<td>3,550</td>
<td>3,606</td>
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Through harvest, from mid-August through November, or about 3 1/2 months in each year, we moved about 3,600 million pounds into consumption as fresh, as cider, or as early processed apples. This is just about 1,000 million pounds a month.

The difference between October 31 stocks and November 30 stocks is small—about 200 million pounds in each year—indicating that consumption during November is largely from unstored apples.

The largest movement out of storage occurred in December—500 million pounds. The harvest months are a period of rapid movement into consumption channels.

In mid-season it is easy to see the big picture. However, until the November 1 storage report, we don't know for sure how big the year's crop is, nor do we know how many apples are going into storage or how many into consumption.

No wonder we have the early season price jitters!

Keeping abreast of current market conditions is about the quickest way to clarify the picture and calm those jitters.
Keeping Abreast of Current Market Conditions

In view of what we have said about the uncertainties in the market at harvest time, the first chore we would recommend to the student of the market is to chart the daily new supplies of apples in 41 major markets (Figure 7). This gives a good indication of how far apple harvesting has advanced and of how much fruit is moving through normal commercial channels.

Figure 7 shows that daily new supplies of apples in these 41 cities hovered around 200 carlots per day. New supplies from Washington rose steadily through December. Note the increased supplies from Washington and from all areas each Monday. New supplies arriving over the weekend are included in Monday’s figures.

In early January, supplies from Washington slackened as did supplies from all sources.

From all sources, the supplies available fluctuated around 200 carlots each day, but during January settled to around 175 cars. From Washington, available supplies generally fluctuated between 50 and 100 cars daily, but in January they slackened to 50 to 75 cars. This is the post-Christmas slump.

Release date for Washington apples was September 13, the first entry shown in Figure 8. Here we have charted the daily F.O.B. price quotation for the more important sizes of X-Fancy Red Delicious and Golden Delicious. Frequently these prices are quoted as a range, for example $6.00-$6.50 per box. For simplicity, we have used the mid-point (in this case $6.25 per box). Despite this simplification, there is not much doubt about the general trend in prices. X-Fancy Red Delicious opened the season at $7.50 per box, but had fallen to $6.25 by the first trading day of October. This decline is normal early in the season. In mid-September, few shippers are in a position to offer immediate delivery, while there are certain retailers eager to be first with new season Washington apples. These retailers must bid against each other for scarce supplies. As more shippers are in a position to make delivery, this early market situation ends.

Note how Golden Delicious price moved down together with Red Delicious. Also note another feature of price movements. Price does not move down or up in a steady progress. It tends to move up or down sharply in one or two days, then pause for a few days at the new level as if to catch its breath. Then when buyers and sellers have had time to adjust to the new situation, the market may be ready for a fresh move.

In early October, Red Delicious prices stabilized at a level slightly above $6.00 per box and in mid-November strengthened to $6.50. Golden Delicious prices showed signs of considerable uncertainty until late October when they stabilized a bit above $5.00. In mid-December, Golden prices rose to about $5.25 a box.
Figure 7. Total New Supplies Available in 41 Major Markets.

Figure 8. F.O.B. Price of Washington X-Fancy Red and Golden Delicious, Selected Sizes, 1972.
Part of the value of studying a market is learning how to predict what is going to happen next. This is not as difficult as it seems. Market patterns tend to be repeated year after year. In addition, the student who knows what the normal pattern is will be the first to spot any new or unusual developments. For example, apple unloads in major markets build up to a peak in October and get smaller with each passing week until they reach their lowest level the following August (Figure 9). There is one major exception. Unloads increase way above normal in the three weeks before Christmas and fall way below normal in the three weeks after Christmas. Retailers and consumers stock up with all sorts of goodies (including apples) for the festive season, and it takes some time before they have the money or the inclination to start buying again.

In contrast, unloads from Washington rise to peak levels before Christmas, suffer the post-Christmas setback, but then remain at a high and stable level from mid-January through May. Unless there is some dramatic change in the wants of consumers and retailers, or in the behavior of Washington marketers, we can expect a similar unload pattern this marketing season.

Comparing unloads from all sources in the second week of October 1972 (1) with the second week of October 1971 (2), it is clear that unloads are much higher this fall with the Christmas peak about the same at 1,200 cars. Comparing unloads from Washington in the same period in each year (points [3] and [4] in Figure 9), we can see that they are about 50 percent more this year than last. Last year, Washington shipments rose from nearly 200 cars weekly in October to a Christmas peak of nearly 500 cars. This season, shipments rose from nearly 300 cars weekly in October to a 400-car level in late November and early December with a Christmas peak of nearly 700 cars.

![Figure 9. Weekly Unloads of Apples from Washington and from All Sources in 41 Major Cities, 1971-72.](image-url)
To see how the pattern of apple unloads is reflected in F.O.B. price, let's look back at prices by size for the last full marketing season, 1971-72. During the September to Christmas period of 1971, while Washington was increasing its unloads in major markets, the price of all sizes (80-88's, 100's, 113's, 125's and 150's) of X-Fancy Red Delicious was dropping (Figure 10). During the weeks immediately before Christmas, when we would expect demand to be strong, the price stabilized. In the January market doldrums, prices tended to slip a few cents. But in late January, size 113's and subsequently the other sizes, began to recover from their low point for the year. As unloads from other areas became less and Washington unloads stabilized, the market became firmer.

Of course, with each passing month, buyers and marketers got more exact information on the quantity and quality of the crop still to be marketed. One would not, at this stage, expect a repeat of the early-season price jitters.

As well as keeping abreast of broad national movements in the apple market and movements in price of different varieties and sizes of Washington apples, it may be useful to pay particular attention to one or two key markets.

![Figure 10. Washington X-Fancy Red Delicious Apples F.O.B. Price, by Size Class, 1971-72.](image-url)
Los Angeles is Washington's single largest market. In 1971, Washington's competitors were able to move a heavy volume of apples into Los Angeles because major buyers balked at the price being asked by Washington shippers (Figure 11). Up to the end of September 1972, unloads from all sources and from Washington were little changed from 1971 levels. In 1971, Washington unloads had fallen dramatically during October and slowly regained during November and December. In October 1972, Washington unloads were clearly above last year's levels and remained high through December. Unloads from all sources tended to be below last year's levels. The implication is that Washington is facing less severe problems from competitive suppliers in the current year.

Figure 11. Apple Unloads in Los Angeles, Fall 1971 and Fall 1972.
A glance at wholesale prices in Los Angeles gives some indication of why movement in the fall of 1971 was so sluggish. Average Red Delicious price held at $8.50 per box until the week of November 10. The adjustment downward of 25 cents was not enough to greatly stimulate movement as plentiful supplies were available from Idaho at more than $3.00 per box less. Eventually price had to fall by a further $1.50 before Washington was able to move large supplies on a regular basis (Figure 12). Goldens were priced close to the Reds.

In the fall of 1972, prices started at $11.50 for Reds in mid-September, but dropped to $8.00 by the first of October. They gradually strengthened to $8.50 by early December and to $8.75 in January.

Goldens were priced fairly steadily at $7.50.

Figure 12. Quoted Average Midweek Wholesale Prices of Washington Red and Golden Delicious, Los Angeles, 1971-72.
Increasing Your Understanding Through Charts

Charting key data as the marketing season progresses will help you to remember and relate the main features of price and quantity trends. Deeper understanding will come as you add each new piece of information and ask why. For example, F.O.B. price of Washington apples may show a decline of 50 cents per box in the latest week. Was it due to greater supplies from Washington? Your other charts may either support or disagree with this view. It may have been due to a cut in price of fruit from competing states. Week by week, as you ask why and seek answers, you will build up a stock of information about the factors that trigger price or quantity changes.

The next stage after understanding is prediction. It may take one or two years of adding to your charts and probing past data before you can begin confidently to predict what is likely to happen in the market. Some predictions will be easier than others. When your charts show slower than usual movements of new supplies, you can expect buyers to start lowering their price bids and sellers to be more willing to accept a lower price. Or when Michigan apple shipments to Chicago peter out, you can expect prices of Washington apples to firm in that market. Other situations will be less clearcut. However, the ultimate goal in planning future warehouse production levels, sales volume, asking price, etc. must be the ability to predict market direction successfully most of the time.

Expanding Your Basic Chart Program

Throughout this publication, we have assumed that users of our basic chart program have limited time to spend. In general, no additional chart should be added unless the market student is certain that he has available time and that the extra chart is important to his type of operation.

Occasions may arise when the student wishes to follow up some special situation—for example, when the price of an extreme size has moved out of line with the general market. It may be desirable to go through back data in an effort to trace why this happened. In such a case, it is preferable to keep an additional chart only for as long as the special situation lasts.

Careful recording and analysis of main market trends from week to week will give most students a return worth many times the effort expended.
Sources of Data

Review the charts and decide which ones you would like to keep up. The sources for the data in each of the charts are as follows:

**Historical Data**

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<th>Figure(s)</th>
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**Crop Estimates**

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**Current Data**

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If you do not already receive the reports indicated, simply write to the addresses below and request the report you wish. The reports will be sent free.

For report A. write to:

U.S. Department of Agriculture  
Washington, D.C. 20250

For report B write to:

Washington Growers Clearing House Association, Inc.  
Wenatchee, Washington 98801

For report D write to:

Washington Crop and Livestock Reporting Service  
3136 Federal Office Building  
Seattle, Washington 98104

For reports C, E, F, and G write to:

United States Department of Agriculture  
Agricultural Marketing Service  
Room 235 Liberty Building  
32 North Third Street  
Yakima, Washington 98901
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