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Chinese Apple Juice Export Growth Follows Investments in the Industry



Fred Gale, USDA/ERS

China is by far the world's largest supplier of apple juice concentrate, a key ingredient in consumer juice products and other beverages in the United States and other countries. About two-thirds of the U.S. apple juice supply now comes from China.

China's prominent role in apple juice trade is remarkable, considering that its juice industry barely existed until the early 1990s. The industry emerged after market

reforms in the 1980s encouraged Chinese farmers to diversify their incomes by planting apples and other horticultural crops.

As production boomed, China's apple market was quickly saturated, and prices were depressed until a combination of Government, foreign, and private investment began building a juice processing industry that absorbed the glut of apples. The industry relied on exports for over 90

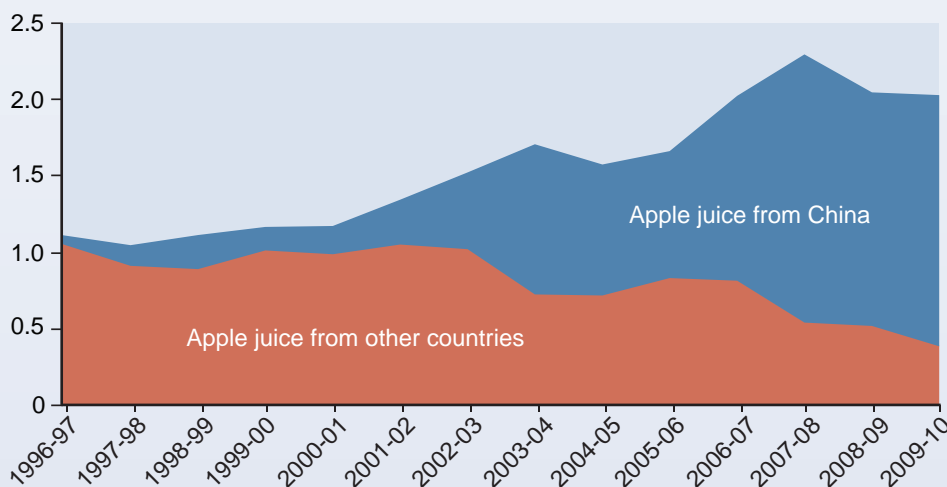
percent of its sales since apple juice is not traditionally part of the Chinese diet. The United States is the largest market.

Government officials, eager to expand markets for poor farmers, welcomed juice-processing companies. A vast network of apple-juice-processing plants now stretches from China's coast into its western provinces. Processors procure apples from brokers and traders who fan out into the countryside to buy apples from millions of farmers who tend small orchards. The apples are crushed to make juice concentrate, which is sold to large multinational food and beverage companies.

But recently, the supply of apples as raw materials for juice, which once seemed limitless, has tightened. Now that the industry consumes as much as a fourth of China's apple crop, juice processors sometimes bid against each other to procure apples. They also have to compete with a growing domestic market for fresh fruit. The result has been upward pressure on prices.

U.S. imports of apple juice from China grew sharply in 2000-2010

Billion liters



Note: Market year July-June.

Source: USDA, Economic Research Service analysis of data from USDA's Global Agricultural Trade System (GATS).

Processors are also finding it difficult to procure the high-acid apple varieties demanded by juice buyers. The market for higher priced fresh fruit attracts the best quality apples, and farmers prefer to plant sweeter varieties like Fuji favored by the fresh market.

Now that robust demand seems to have caught up with the apple supply, China's limited supply of raw material may act as a brake on the apple juice industry's growth. *W*

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This finding is drawn from ...

Investment in Processing Industry Turns Chinese Apples Into Juice Exports, by Fred Gale, Sophia Huang, and Yingying Gu, FTS-34401, USDA, Economic Research Service, October 2010, available at: www.ers.usda.gov/publications/fts/2010/10oct/fts34401/

Growing Beef Consumption in Japan Could Benefit U.S. Producers

Japan was once the largest export market for U.S. beef, importing as much as \$1.6 billion worth of U.S. beef a year. This trade stopped in 2003 when Japan imposed trade bans and restrictions following the discovery of bovine spongiform encephalopathy (BSE) in the United States. U.S. beef regained access to the Japanese market in 2005, and exports have been growing since then. In 2009, Japan imported \$470 million of U.S. beef, making it the second largest export market in value for U.S. beef.

The United States produces large amounts of specific meat cuts and offal that bring higher returns in Japan than in domestic markets. Japanese beef prices rose significantly following the 2003 trade restrictions, which severely limited supplies of these cuts. An increased presence of U.S. beef in Japan could bring higher returns for

Michael McConnell, USDA/ERS

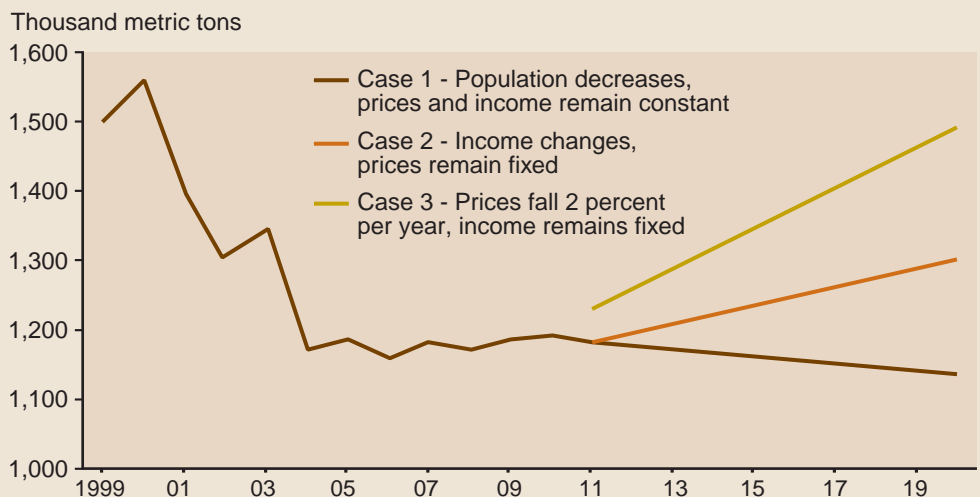


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Lower prices have the most potential to increase beef consumption in Japan



Source: USDA, Economic Research Service.