



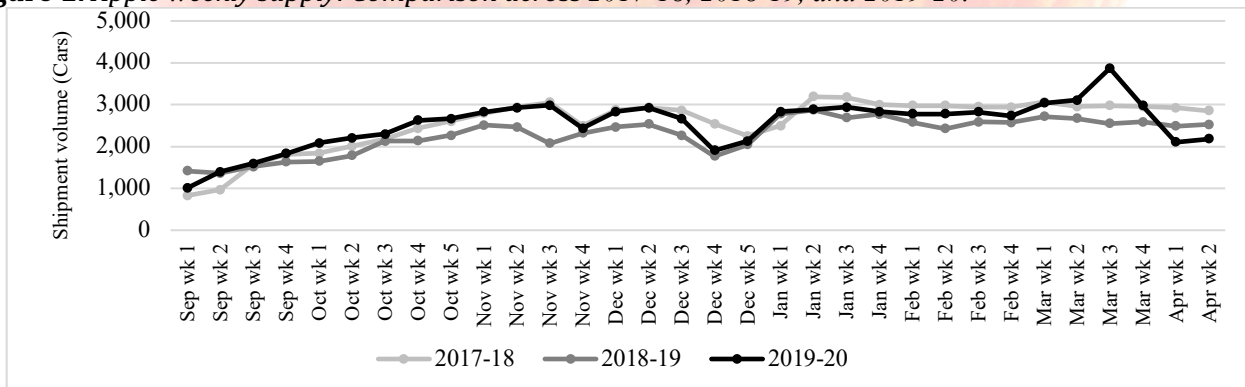
COVID-19 and the Washington Apple Industry
R. Karina Gallardo¹

The COVID-19 pandemic is severely affecting the food supply chain. Multiple disruptions are preventing farmers from getting their products to market. Disruptions are fueled by mass closures of the food service industry, school programs, and other outlets such as farmers markets. Packing and shipping companies must adjust their logistics to funnel their products into the retail grocery stores. The effect of the pandemic has different impacts across states. During these first weeks, warmer weather states and smaller farms are impacted heavier. This factsheet highlights what is at stake for Washington apple producers.

As of April 2020, it is difficult to quantify the COVID-19 impact in its real magnitude. Both at the orchard and the packinghouse, protecting workers health and wellbeing is a priority; therefore, compliance with protective measures is affecting productivity and increasing labor costs. At the orchard level, there is the risk of not doing in its full capacity the horticultural management required jeopardizing the quality of the fruit and potentially reducing final packouts. H2A labor is another

stressor mainly due to housing availability and compliance with COVID-19 protective measures. This will negatively impact harvest and other horticultural activities for which H2A is needed. Less optimistic scenarios contemplate border shutdowns that could lead to tree fruit left unharvested. As of April 2020, these impacts are impossible to quantify. Apple inventories at packinghouses, are moving differently from previous years. Figure 1 shows a peak in shipments during the third week of March, when the pandemic unfolded in the United States, followed by three weeks with a decreasing trend in shipments. Packing houses are adjusting to different demand patterns. For example, bagged apples and larger bags are increasing in demand. Fewer trips to grocery stores and the need to spend less time grocery shopping are dictating these changes. Compliance to COVID-19 protective measures is affecting the productivity and operating capacity of packing houses. In addition, there is a potential for backlog of shipments at the end of the 2019-20 season that will have an economic impact.

Figure 1: *Apple weekly supply: Comparison across 2017-18, 2018-19, and 2019-20.*

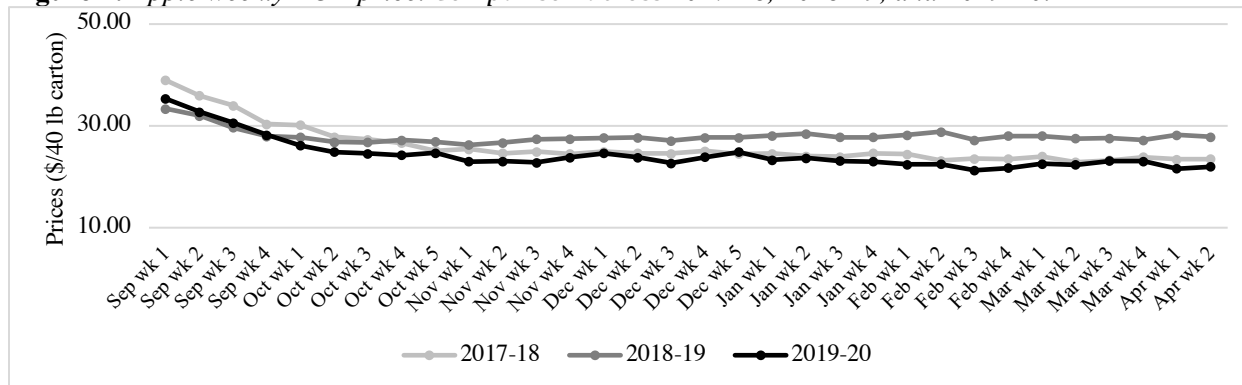


Source: Washington State Tree Fruit Association. 1 car=40,000 lb.

Figure 2 shows that prices have remained steady during the 2019-20 season. Noteworthy, prices for 2019-20 are on average \$4.72 lower than 2018-19, and on average \$1.69 lower than the 2017-18 season.

¹ Associate Professor, School of Economic Sciences, Puyallup Research and Extension Center, Washington State University

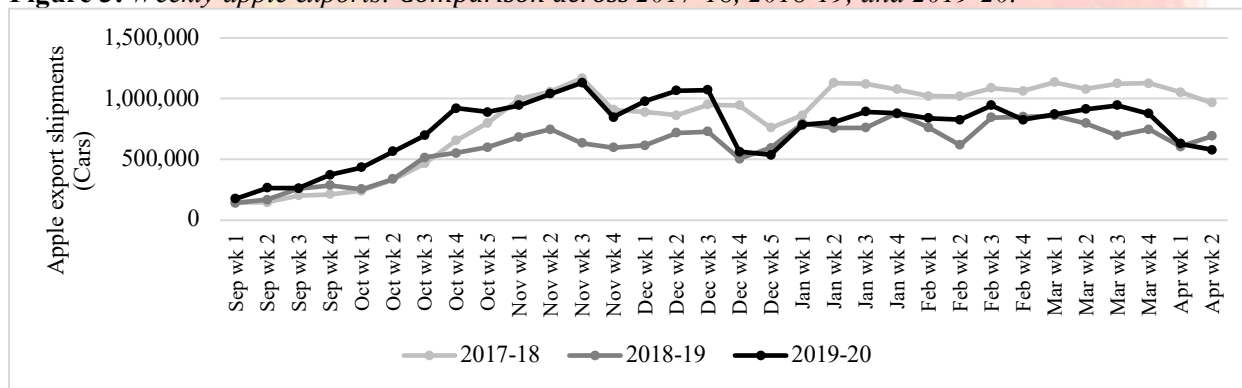
Figure 2: Apple weekly FOB price. Comparison across 2017-18, 2018-19, and 2019-20.



Source: Washington State Tree Fruit Association. FOB=Free on Board.

Export markets are being affected by the appreciation of the dollar compared to local currencies, this effect is most salient in Mexico. Exports are impacted by lock downs in major important destinations, and limitations in transportation. India is limiting its imports of U.S. apples, due to COVID-19 and the retaliatory tariffs of 20%, resulting in a 70% tariff on apples. China’s retaliatory tariffs also make U.S. apples uncompetitive with imports from other countries and Chinese domestic fruit. Figure 3 shows that total Washington apple exports remain steady at the beginning of the 2019-20 season, showing a sharp decline on the fourth week of December yet comparable to previous years; however, since the third week of March total Washington apple exports are showing a decreasing trend.

Figure 3: Weekly apple exports: Comparison across 2017-18, 2018-19, and 2019-20.



Source: Washington State Tree Fruit Association. 1 car=40,000 lb.

Conclusions

The economic impact of COVID-19 to the entire industry cannot yet be calculated with confidence. However individual apple operations are in a better position to make such calculations at the field, packinghouse, and market levels. COVID-19 is increasing the risk of labor availability, decreasing labor productivity, and increasing labor costs. Housing for H2A availability will be a challenge. Since the pandemic outbreak, sale patterns have changed, and packing houses are adjusting to the new situation. In sum, the effects of the increased production and packing costs coupled with declining retail prices and trade retaliation-that were already a concern for the industry- will be magnified due to COVID-19.

References

Washington State Tree Fruit Association. 2020. Various reports.