

Apple growers feel heat from China

By Kimberly Hefling Published June 25, 2007 - *New York Times*

GETTYSBURG, Pennsylvania — Farmers have been growing apples here since before the American Civil War, and as times have changed, they have changed with them, planting smaller trees to speed up harvests and growing popular new varieties to satisfy changing tastes.

But the growers who have made this mountainous region the core of apple-growing in Pennsylvania worry about a challenge that may be too big to overcome and that could change their way of life.

Like farmers in the bigger apple-producing states, they are **increasingly anxious that China could flood the U.S. market with its fresh apples** - an event many believe is inevitable, even if it could be years away.

They saw what happened in the 1990s when Chinese apple juice concentrate entered the United States. Prices fell so low that some U.S. juice companies were forced out of the market. Growers could no longer afford to grow apples just for making juice.

With the U.S. Farm Bill up for renewal this year for the first time since 2002, apple growers are pressing for an unprecedented amount of federal financing to develop technologies to make harvesting less costly, and aid to develop overseas markets.

Even before new questions were raised this year about how well China enforces food safety rules, some growers were also pressing the U.S. government to require country-of-origin stickers on all apples.

"We're facing a threat that we've never faced before in terms of their ability to come in and essentially replace every apple that we produce in this country numerically and at a much lower cost," said John Rice, a seventh-generation grower whose grandfather made money in the Depression era by gathering apples from area growers and shipping them to England.

Today, Rice's family owns 1,000 acres, or 400 hectares, of orchards and packs and markets apples for 50 area growers primarily in Pennsylvania's historic growing area in Adams County.

"We have to lower our costs and we have to do what other successful businesses have done in the face of Chinese competition and that is to innovate, to stay ahead, to either grow new varieties that they don't grow in China, or whatever it takes," Rice said.

Fifteen years ago, China grew fewer apples than the United States. Today, it grows five times as many - nearly half of all apples grown in the world.

China's advantage is its cheap labor. A picker makes about 28 cents an hour, or \$2 a day, according to the U.S. Apple Association. In 2005, workers in Pennsylvania made about \$9 to \$10 per hour, and those in Washington State about \$14 per hour, the association said.

Bilateral talks on whether fresh apples from China can be brought into the United States have been going on since 1998.

To gain access to the U.S. market, China must prove that it meets U.S. standards for pest and disease control. The U.S. Apple Association said the Department of Agriculture's Animal and Plant Health Inspection Service sent a list of more than 300 insects and diseases of concern to the quarantine inspection agency of the Chinese government in 2003. Beijing responded the next year, and then Washington asked for information on 52 pests from the list.

The value of U.S. apple output was estimated at more than \$2.1 billion last year. About 60 percent is sold as fresh fruit, and about 25 percent is exported. Pennsylvania ranks fifth behind Washington, New York, California and Michigan in the number of apples grown.

Already, U.S. apple growers compete with Chinese growers for sales in parts of Southeast Asia and India.

After Chinese juice concentrate entered the U.S. market, the average price for juice apples fell to \$55 a ton in 1998 from \$153 a ton in 1995. The industry filed an antidumping case but lost on appeal with the U.S. Commerce Department. Today, more than half (65%) of imported concentrate comes from China.

"It was an uproar within the industry," said Jim Allen, president of the New York Apple Association. "What can we do? It just takes the bottom right out of our market when the product is being delivered to New York City for less than we can process and harvest it here in the United States." As in many areas of farming, U.S. apple-growing operations frequently have been absorbed by bigger ones. Some smaller remaining operations have survived by selling directly to

consumers at farmers markets or developing niche markets selling organic or specialty apples.

Like most growers, Dave Benner, a third-generation Pennsylvania grower, has slowly replaced older, larger trees in his orchard with smaller dwarf ones that are close together. That makes the fruit easier and faster to pick. He also pays close attention to consumer demand and to the world market.

"Business is still business whether you're in agriculture production or you're in commercial manufacturing," he said. "When people want small economical cars then the automobile industry had to change.

"When people say they like the flavor of Gala or Fuji apples, that's what I have to be growing."

Because labor makes up more than half the cost of growing apples, researchers have been pursuing technology and practices that will help cut labor costs. Among concepts being developed are machines that would allow apples to be mechanically picked without bruising, and platforms that lift pickers so they do not have to climb ladders.

The apple industry is working with other fruit and vegetable industries to seek, in the 2007 Farm Bill, about \$1 billion annually for research, for developing overseas markets and for expansion of a program that provides fruit and vegetables to schoolchildren.

Senator Bob Casey, a Pennsylvania Democrat who is on the Agriculture Committee, said these "basic nuts-and-bolts" items would improve competitiveness.

The current Farm Bill, which was worth about \$100 billion, passed in 2002 and expires in September. It mandated country-of-origin labeling, but implementation of that rule has been delayed until September 2008 because of opposition among retailers and others who say it is too burdensome.

Most apples already carry the labeling, but Mark Barrett, a grower in Yakima Valley in Washington, said full implementation was the best way to help U.S. apple growers.

"I believe if we had country-of-origin labeling that the consumers would buy U.S. all the time," Barrett said.