

US Apple Export Council

Strategic Planning Overview

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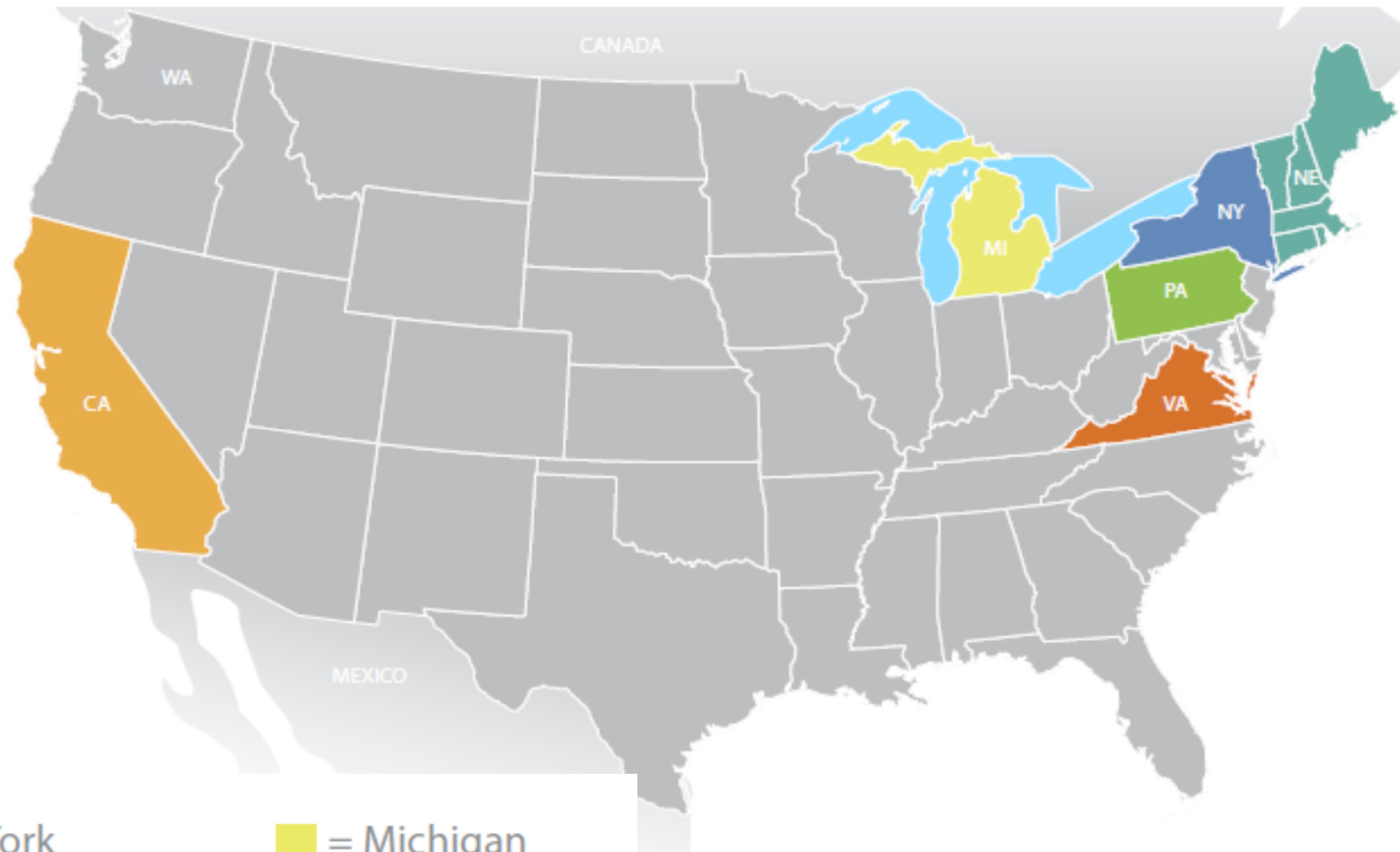
Baltimore, MD

U.S. Apple Export Council:

- Represents 11 apple producing states in the US.
- Accounts for around 40% of the total US apple production.



U.S. Apple Exporting States



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|--|--|
|  = New York |  = Michigan |
|  = New England Area |  = Pennsylvania |
|  = California |  = Virginia |



USAEC as an exporter

- Being within 500 miles of 75% of the US population, the US domestic market is a key driver
- Production is increasing everywhere
- Export markets for specific varieties, sizes and timing are key to ensuring best profitability
- Industry very committed and here to stay – lots of opportunities for niche markets can fit with the USAEC structure and boutique suppliers and varieties and limited volumes
- **WA's ability to export is crucial to the USAEC's overall health**
- **Not better or worse but different**



Varieties

- Overall trends in the US are that Red and Golden Delicious are losing dominant position.
- USAEC states produce many *different* varieties.
- Some USAEC states produce other varieties in greater volumes than Red or Golden Delicious.
- Some USAEC states produce varieties that are not produced in WA – or in many places around the world.
- Some have different harvests and seasons than WA.



USAEC - Strategic Planning

- Board made up of representatives from each state – both state grower organizations and packers/shippers
- Meet 3 times per year
- Winter meeting in DC set aside for strategic planning

Updating Strategic Planning

Old way

- Where do we export?
- What markets are the most important?
- Volume based decisions
- Volume based funding
- Goals separate from strategy
- Mostly activity goals

New way

- “Wipe the slate clean”
- Review the “assets for USAEC”
- Macro drivers defined and measured
- Assess overall goals – keeping balance for development and existing markets
- Markets-Targets-Goals

USAEC's Report Card

Collected information from 3rd party current and new markets included....

- Economic Stability
- Middle Class
- Retail structure
- Cold chain & general distribution systems
- Domestic production in target market
- Dominant supply and variety mix
- Current apple consumption
- Trade barriers (can trump everything)
- Many facts and figures – micro and macro
- A few subjective elements



Example

Mexico

- Growing middle class
- Geographic advantage
- Domestic production
- High penetration for apples – well known
- Retail and cold chain in place
- *USAEC trade barrier*
- Largest export market for the US
- Investment in this market for past few years –
- Cultural differences & Language

Singapore

- Stable economy
- High standard of living
- Desire for new product
- Sophisticated retail and cold chain
- Very few import requirements
- Starting point for regional outreach
- *Other side of the world*
- *Intriguing*
- *English speaking*



Targeting the right sector

- Fresh product requires a ‘hit the ground running’ element...
- Consumers need to buy – need to know and understand
- Understanding how the product gets to the retailer is the key
- Can’t pull through when the pipeline isn’t ready...many steps along the way in some markets
- Limited product, season, and promotion budgets

Example

Singapore

- Strong interest from importers
- Importers highly competitive
- Importer acts to provide product to retailer
- Retailer ready to promote new product if it is acceptable
- Highly competitive market will influence next sale.
- **Target: Importers - aim for 2-3 key contacts**

Russia

- Interest but skepticism from importers
- Retailers not importing directly for the most part
- Retail and Hypermarkets are new and changing
- Three geographic areas are key – (Moscow, St. Pete, Vlad.) can we target those only?
- Consumer outreach?
- Domestic and regional production competition in season?
- **Target: Geographic targets – importers and retailers together**
- **Tight targets...**



Constraints/Opportunities

- **To link the UES to the industry in a way that they can understand, it may be easier to state as an opportunity**
- (*Constraint*) Importers show a lack of knowledge about USAEC varieties, geography, ports, etc.
- (*Opportunity*) Importers seeking new varieties of apples to supply to their retail customers – USAEC product currently unknown in this market.



Example - Target & Opportunity

Singaporeans eat lots of apples and essentially all fruit is imported; high standard of living – willing to pay for new and different – varied and open to new...

- State the target and the specific opportunity as specifically as you can. Give as much context as possible.
- Ensure that target is the right one.



Developing the right statement

- Retailers in Singapore seek new varieties of apples to bring to market.
- **Top 3** retailers in Singapore seek new varieties of apples to bring to market
- Top 3 retailers in Singapore (**accounting for 60% of all fruit sales**) seek new varieties of apples to bring to market



Right target? How?

- Top 3 retailers in Singapore (accounting for 60% of all fruit sales) seek new varieties of apples to bring to market **during USAEC export season.**
- *Currently market 5 varieties from 3 origins*
- *Are we seeking to supplant or add more?*
- *How are the products brought to the market?*
- *Does the retailer handle the fruit directly?*

Interim Steps

- Top 3 retailers in Singapore (accounting for 60% of all fruit sales) seek new varieties and packaging of apples to bring to market during USAEC export season.
 - Fruit importers that supply the top 3 retailers aware of USAEC as a supplier; (5 account for 70% of all apple imports)
 - Fruit importers that supply the top 3 retailers aware of USAEC product available in season;
 - Fruit importers seek bids for USAEC product
 - Fruit importers import USAEC varieties for sale
 - Fruit importers import multiple varieties for sale
 - Fruit importers import multiple varieties in multiple sizes
 - Fruit importers import multiple varieties in multiple packaging
 - Retailers list USAEC varieties (SKU or order listing)
 - Retailers stock new USAEC varieties (actual purchase)
 - Retailers stock multiple USAEC varieties
 - Retailers stock multiple USAEC varieties and multiple packaging



Measurements of attitude

- Subjective and timing is a concern
- (sometimes) What the targets “say” is different from their actions
- Bids, Quotes, Packaging are often tangible
- Trade Mission participation and interest is tangible
- 3rd party interviews (in some cases)
- Getting retailers or importers to provide information as a condition of support.



Consumer Questions

- Expensive and difficult to measure
- Question whether programs can have broad impact
- **HOWEVER**, use consumer research in limited ways as a tool for trade interactions as well as to allow the industry to have some perspective in cyclical up/down years.

UK/Europe

- Top market – Retail dominant
- Key variety is the Empire
- Concern for too many varieties/SKUs led to some loss of market (Red Apple)
- Consumer research shows that Empire is a ‘known’ variety and that “Red Apple” sales are off is not an indication of Empire...
- Led to new PM measurement of SKU listings
- Extremely helpful in work with industry and their discussions with the trade in the UK



Areas of concern

- Turnover in retail and importer areas
 - Crop and harvest issues
 - Variations year to year
 - Exchange rates
 - Transportation costs
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- Despite activities these elements can have overriding impact – so focus on what can be constant and can be used to move ahead or act as a ‘marker’ in other years.