

APPLE VARIETY SELECTION IN A GLOBAL ECONOMY

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Introduction

Few decisions are more important for apple growers and for the packers and marketers they work with than when to plant a new variety, when to retain an established variety or when to throw an old favorite out of the ground and out of your program. The relatively rapid success in the last two decades of varieties like Jonagold and Elstar in Europe and Fuji and Gala in the U.S. has sent nurseries, growers and marketers into an almost frantic search for the next new "winning" variety. However, I would argue that such big "winners" are most unlikely to come along in the next two decades, and that the winning formulas in the future will be much more complicated than simply planting the right variety at the right time.

The Welcoming Markets of the 1980s

A number of unique circumstances existed in the 1980s that allowed new varieties to flourish. In the retail food sector, supermarkets saw profits in building ever-larger stores and in expanding high-margin sections such as produce. Many stores at that time carried only three or four varieties of apples, usually Red Delicious, Golden Delicious, McIntosh or Granny Smith. They were eager to add both new lines of apples and new and exotic fruits. Consumers were also growing in affluence and willing to try more types of fruit and more varieties and strains of each fruit. At the same time, there was a stable of well-tested apple varieties whose production could be expanded rapidly in favorable growing areas.

Granny Smith had been discovered in Australia in 1868 and had been a Southern Hemisphere staple for decades before it was popularized in Europe and North America in the 1980s (Norton and King, 1987). Elstar was first introduced in 1955. Fuji had been introduced in Japan in 1962 and become well established throughout Asia when the West discovered it. Jonagold had been introduced by the New York Agricultural Experiment Station in 1968 and undergone early testing in Europe two decades before it became widely accepted there. Gala had gone through many improvements since its release in New Zealand in 1960. These thoroughly-tested "new" varieties were a perfect fit for the new food retailing environment. Growers, retailers and consumers all benefited from their market entry.

Success of New Varieties

An annual survey of retailers conducted by the World Apple Report documents the wide acceptance that has been attained by many of the new varieties. Retailers are asked to rate each variety from 1=poor to 5=excellent. The nearer to 5 the average score, the better the variety's rating. In 1995, Red Delicious was still the top variety with a rating of 4.25 compared to a rating of 4.13 for McIntosh, 3.38 for Golden Delicious and 3.07 for Rome Beauty. Of the newer varieties, Gala did best with a rating of 4.20. However, other new varieties lagged far behind Gala. Retailers gave Fuji a rating of 3.53, Braeburn 3.36, Jonagold 3.57 and Empire 2.80. By the year 2000, the ratings of the traditional varieties had changed little, but the rating of Gala had risen to 4.56, while Fuji, Braeburn and Empire all had ratings above 4.00.

Each year, the survey also questioned retailers about their future stocking plans for each variety. Consistently, retailers planned to stock more Fuji, Gala, Braeburn and Jonagold apples. In the year 2000, they turned more positive on Empire. However, by the year 2000, over half planned to stock less Romes and about 10 percent planned to stock less Red Delicious, Golden Delicious and McIntosh. As the newer varieties have become more widely distributed and accepted they have begun to displace some of the more established varieties.

The era of ever-expanding shelf space for apple varieties is coming to an end. Retailers

are less and less willing to add another apple variety, even on a trial basis. The environment that facilitated the expansion of Gala and Fuji in the 1980s and 1990s no longer exists. From now on, a new variety will have to have a very special appeal to be adopted by retailers.

Too Much of a Good Thing

The long testing period for the Galas and the Fujis also made it easier for growers around the world to increase their plantings and production rapidly, and they have indeed done so. By my estimates, Gala was the fourth most widely produced variety in the world (excluding China) in the year 2000, behind Red Delicious, Golden Delicious and Granny Smith. If China was included, Fuji would be the third largest variety after Red Delicious and Golden Delicious. In the next decade, Gala and Fuji will push Granny Smith out of third place in the rest of the world. If China is included, Fuji will become the world’s leading variety.

As supplies have increased, the premiums once enjoyed by these new varieties have disappeared. The outlook for the next decade is for greater supplies from many Southern and Northern Hemisphere producers on a twelve-month basis, so price pressures are not likely to weaken. The avalanche of Chinese Fujis will also be felt in more and more markets.

Rabbit out of a Hat

Many promoters still believe that with enough market insight, hard work and luck they can come up with the next Gala or Fuji. There is no shortage of contenders, varieties like Pink Lady® from Australia, Cameo from Washington State, Rubens from Italy, Pacific Rose from New Zealand, Honeycrisp from Minnesota. I have no doubt that each of these is an excellent apple. However, the welcoming market conditions which made Gala and Fuji such rapid successes no longer exist. Now newcomers must compete with not just three or four major varieties but with nine or ten. To get shelf space for a new variety, sellers may have to displace an existing variety, and to get consumer acceptance they may have to cannibalize their existing varieties. Recognizing this situation, many promoters are now looking at niche marketing rather than mass marketing of newer varieties.

Controlled Niche Marketing

In the future, a grower who wishes to plant new varieties will also have to accept many limitations and controls on his or her operation. These niche marketing attempts differ in many ways from the traditional mass marketing that has characterized the produce industry.

Mass Marketing versus Niche Marketing

ISSUE	MASS MARKETING	NICHE MARKETING
Plant ownership	Public	Private
Product appeal	Generic	Targeted Consumers
Price	Set by market	Premium Sought
Promotion	Regional (low fees)	Controlled (high fees)
Packaging	Anything Goes	Controlled
Supply/ Marketing	No limits	Strict Limits
Quality Standards	Public minimums	Agreed Targets

The promoters begin with the conviction that their variety offers special value to a given subset of consumers. However, they believe that to capture that value in a price premium, they must control the volume produced and marketed, they must maintain high quality standards appropriate to the variety, they must maintain uniform standards of product identification, packaging and promotion, and they must have their own credible promotional program. To do all this they must have plant protection and international partners to meet year-round market needs. They must be able to charge participants substantial fees for production and marketing. The grower commits to a program that is much more costly than traditional programs in the hope that the higher returns will more than offset the higher costs.

Clearly, this approach carries much higher risks than the traditional approach. If, for any reason, the premiums are not forthcoming, it may be difficult for these international alliances to hold together. Pink Lady® has successfully developed a premium niche in the British market. However, many analysts suspect that may be due to unusual factors in the British retail trade and unusual tastes and preferences among British consumers which will not be duplicated elsewhere. This will increase the need for promotional efforts to expand the market elsewhere. However, the more tightly supply is controlled, the higher the marketing fees per box must be to generate a given promotional budget. No one knows what the optimal balance of supply control and promotional fees might be for a new variety. Promoters will have to proceed by trial and error. And errors will be costly.

Managing Old Varieties Better

Retailer and consumer studies confirm that the existing apple varieties are generally acceptable. However, too often consumers are disappointed in the taste of their favorite apple. It may be immature, overripe, lack crunch or fail to provide the blend of sweet and tart taste that characterizes most good apples. A disappointed consumer is slower to make a repeat purchase and more likely to be attracted to another fruit. A variety's reputation is not writ in stone but is a work in progress. The apple industry needs to pay as much attention to maintaining or improving the reputation of the apples it traditionally has sold as the niche marketers intend to devote to creating the reputation of their new varieties.

Focus on Product, not Variety

We can all also learn from the niche marketers' approach to their markets. They are not trying to sell a variety as it comes out of the orchard and hope that it satisfies consumers. They are trying to develop a product that uniquely satisfies a certain segment of consumers. In their control of quality standards, their logo, packaging, sales agencies, their promotional messages, etc, they are trying to maintain their product's uniqueness.

Exactly the same marketing imperatives apply to keeping an existing variety profitable. The industry needs to re-examine what sort of product package it has developed for Red Delicious, McIntosh, Cortland, Empire, etc. It needs to know where it is succeeding with consumers and where it is failing, and then it needs to involve researchers, extension agents, growers, packers and marketers in helping to deliver a product nearer to the consumers' desire.

A Balanced Portfolio

Two years ago, Dr. Jim Schupp, then with the University of Maine, argued that because the introduction of a new apple variety involves a tremendous investment in time and money and added risk, growers in the north central and northeastern regions of the U.S. might be better to continue to concentrate on varieties that can not be grown elsewhere. When they do invest in a new variety, it should be just one part of their product portfolio.

I agree with Dr. Schupp. Producers should continue to seek out the new variety that has unique consumer appeal and that can be grown well in their own orchards. But, they should not bet the farm on any one new variety. The world apple market does not need another new variety.

However, the world apple market desperately needs to deliver all the products it offers in a way that makes consumers want to buy more apples. This may not be as glamorous or exciting a way to do business as trying to find the next “hot new variety”, but it is a more surefooted way of ensuring survival and profits.

References

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