Required Report - public distribution

Date: 10/30/2017
GAIN Report Number: NZ1708

New Zealand

Fresh Deciduous Fruit Annual

New Zealand Apple and Pear Production and Marketing November 2017

Approved By:
David Wolf

Prepared By:
David Lee-Jones

Report Highlights:
The 2016/2017 New Zealand deciduous fruit production dipped lower than anticipated to 554,940 metric tons, 1.4 percent less than 2015/2016. Export volumes have been affected and estimated to drop by three percent to 340,700 metric tons. A material recovery is expected in 2017/2018 with deciduous fruit production up to a forecast 586,000 metric tons and flowing on to a 12 percent export volume jump to 380,150 metric tons.

Executive Summary

The 2016/2017 New Zealand deciduous fruit production has not lived up to the earlier promise of a big crop and record breaking export volumes. Primarily a more severe natural fruit drop than normal, which was not accurately taken in account during initial crop monitoring, has reduced the crop. This has lead Post to revise the estimate for overall apple and pear production to a total of 554,940 metric tons (MT), 5.5 percent below the previous forecast and 1.4 percent less than 2015/2016.

The fallout from this weather related crop reduction is an overall reduction in deciduous fruit export volumes forecast for 2016/2017. Post estimates they will total 340,700 MT, nearly 13 percent less than the previous forecast and three percent less than 2015/2016.

The year-on-year progression of deciduous fruit export volume increases going to Asia both absolutely and as a proportion of total exports has stalled in 2016/2017. Improved pricing in Europe has diverted some fruit away from Asian destinations and onward to Europe. The long term trend to focus more on Asia will re-assert itself as the new plantings over the last four years, of the varieties more attractive to Asian tastes, mature and export volumes continue to increase.

Grower revenue is likely to take close to a ten percent hit on a per hectare basis in 2016/2017. However sector profitability is still good and confidence for the future is still high. The trend for 250-300ha growth of new apple plantings each year together with a significant replanting program of existing orchards continues.

The focus of the sector is now shifting to the year ahead, 2017/2018. Overall deciduous fruit production is set to increase by six percent to a forecast 586,000 MT. A combination of extra harvest area and favorable weather conditions so far during spring 2017 has set the potential for a large crop increase. On the back of this, total export volume for 2017/2018 is forecast by Post to increase by 12 percent to 380,150 MT.

Note1: The Marketing Year MY2016/2017 is from Jan 1, 2017 to Dec 31, 2017 and will be referred to as 2016/20117 in the text to conform to Northern Hemisphere country marketing years. Similarly MY 2017/2018 will be shown as 2017/2018 and refers to Jan 1, 2018 to Dec 31, 2018.

Note2: A TCE stands for Tray Carton Equivalent and is 18.0 kilograms of fruit. FOB stands for Free-On-Board which denotes the value of a product once it is loaded on board ship ready for departure.

Commodities:
Apples, Fresh
Pears, Fresh

Planted and Harvested Area

Apples

Post estimates 2016/2017 apple plantings at 9,600 hectares (ha), which is 4.3 percent greater than 2015/2016. For 2017/2018 this is expected to grow to 9,825ha. Trend expansion is for 250-300ha growth of new plantings each year together with a significant replanting program of existing orchards. By 2020, New Zealand's apple area is still on course to reach between 10,500 ha to 11,000 ha. The last five to six year trend for cultivar plantings of high color Royal Gala sports, new Fuji varieties, Pacific Queen, and Envy is expected to continue. In addition the "Other Varieties", which contains essentially new cultivars that only have minor acreages at present, has gone from 4 percent of the area 10 years ago to now make up 10 percent. It is an indication of the diversity of plantings now occurring and the trend toward plantings of Intellectual Property protected varieties such as Rockit and Honeycrisp.

Deciduous Fruit Plantings in New Zealand by Variety (in Hectares)

Calendar Year of Harvest	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Braeburn	2246	2034	1,869	1740	1589	1504	1381	1352	1303	1239
Cox	295	281	248	236	203	178	150	134	121	111
Cripps Pink/Pink Lady	285	353	397	434	446	459	443	461	523	562
Envy			88	174	272	285	315	346	416	544
Fuji	829	899	931	970	934	906	832	837	858	831
Granny Smith	286	282	267	256	256	246	240	219	233	231
Jazz	768	917	977	983	943	905	869	855	825	821
Pacific Beauty	162	149	135	127	120	113	92	84	83	71
Pacific Queen	212	220	263	291	351	456	622	730	827	878
Pacific Rose	454	424	416	399	396	390	379	364	365	342
Pacific series Sub-Total	828	793	814	817	867	959	1,093	1,178	1,275	1,291
Royal Gala & sports	2669	2538	2,417	2423	2369	2386	2337	2410	2549	2604
Other Varieties	332	389	421	376	385	484	709	790	707	930
Total Apple Area	8,538	8,486	8,429	8,409	8,264	8,312	8,369	8,582	8,810	9,164
Total Pear Area	412	412	429	473	441	448	403	407	403	371
Unregistered							383	320	413	465
Total	8,950	8,898	8,858	8,882	8,705	8,760	9,155	9,309	9,626	10,000
Braeburn as % of Apple Area	26.3%	24.0%	22.2%	20.7%	19.2%	18.1%	16.5%	15.8%	14.8%	13.5%
Royal Gala as % of Apple Area	31.3%	29.9%	28.7%	28.8%	28.7%	28.7%	27.9%	28.1%	28.9%	28.4%

Source: PNZI registered area

Note: The unregistered area includes planted area not currently producing fruit for export. This area aligns with the surveys from the Pipfruit NZ National Crop Estimate. A proportion of the area will be young trees not producing a crop yet. It is estimated for 2017 18ha of this area is pears and 447 ha apples.

Pears

The area for pear plantings seems to have stabilized at present. Planted area for 2016/17 is now estimated at 400 ha, 4.8 percent less than 2015/16. The estimated harvest area is now 371 ha, 8 percent less than 2015/2016. For 2017/2018 it is forecast the planted area will be stable at 400ha and the harvested area will be up a few hectares at 375ha. The downward trend in pear plantings noticeable since 2011 is caused by the better relative returns per hectare from growing apples.

Apple Production

2016/2017

Post is now estimating the total apple production for 2016/2017 at 542,400 MT, 1.2 percent below 2015/2016. In addition this is 5.5 percent, or 32,000 MT, below the previous forecast released six months ago. From what was expected to be a one of the largest crops ever produced in a biennial bearing 'on' year this is a big turnaround. The reasons for the reduction are:

- A more severe natural fruit drop than normal, which was not accurately taken in account during initial crop monitoring, reduced the crop. This occurred during December 2016 through January 2017. It was especially prevalent in the main growing area, Hawkes Bay, and is thought to be a result of a combination of stresses on the trees after the cool and wet weather during early spring (August) in 2016;

- The harvest was late (up to two weeks for the later maturing varieties) and impaired by wet conditions;

- The later varieties did not color up as well as is desired because of the mild cloudy weather just prior to harvest; and

- Cyclone Cook's gale force winds (April) in the Hawkes Bay affected the later varieties such as Pacific Rose and Pink Lady with wind damage causing bruising and fruit drop.

2017/2018

For the 2017/2018 year the sector is looking forward to a significant rebound in apple production. Post is forecasting the total crop at 573,000 MT, a 5.6 percent improvement on 2016/2017. The 2016/2017 growing season was supposed to be a biennial bearing 'on' year however what the reduced crop actually achieved has given the trees a physiological rest and this may have broken this particular cycle of biennial bearing. The production increase is supported by the following factors:

- It is forecast the harvest area will be two percent greater. This will add 5,000 MT to 10,000 MT to the harvest depending on the maturity of the new blocks;

- An early and substantial winter chill period combined with no real cold snaps during bud burst in August/September has set the trees up well for the growing season;

- Reportedly flowering has been strong and compact and two weeks ahead of the previous year. This would make the onset of flowering perhaps a few days ahead of the long term average flowering date;

- Reportedly pollination has gone well so there should be a high volume fruit set of a similar age; and

- Seasonal climate forecasts are predicting a neutral season, neither an El Nino nor a La Nina bias. This should have the main two growing areas Hawkes Bay, and Nelson reverting to normal summer and autumn weather patterns, which would mean a warm dry autumn conducive to fruit ripening.

Pear Production

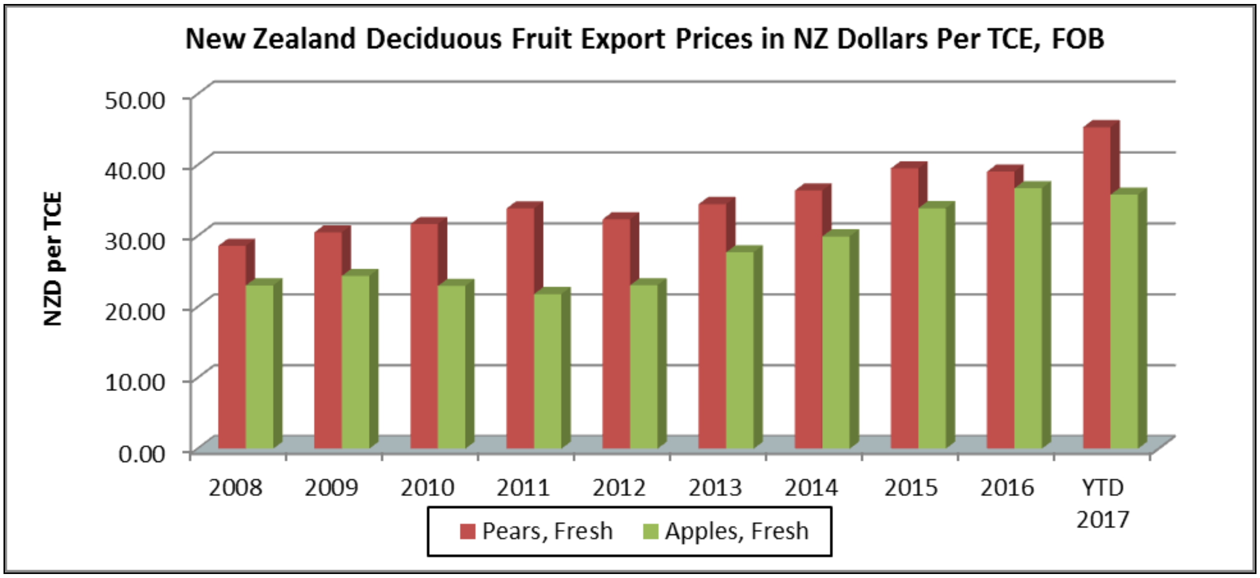
2016/2017

For the same reasons as the reduced apple production in 2016/2017 pear production is now estimated at 12,550 MT, ten percent below 2015/2016.

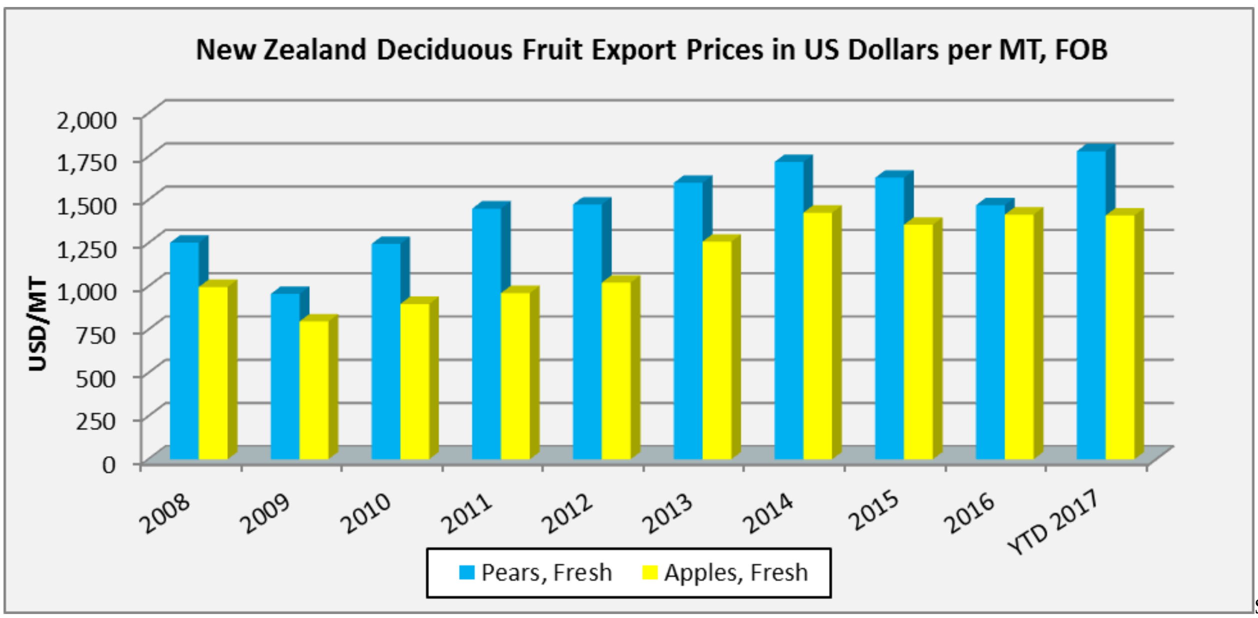
2017/2018

Looking ahead to 2017/18 it is forecast production of pears will bounce back to 13,200, a five percent increase over 2016/2017.

Grower Returns



Source: GTA



Source: GTA

The charts above show the Free-On-Board (FOB) pricing for apple and pear exports so there are charges for transport, cool storage, and shipside costs to deduct to get an Orchard gate return. However it is safe to say that these costs have been reasonably constant from year to year. The majority of the big jump in pricing from 2012 to 2014 has been returned to growers. For the 2016/2017 year-to-date overall in-market pricing (see USD denominated chart above) appears very stable. At US$1409/MT for apples, that is onlyUS$5 less than the previous year. On a New Zealand denominated basis 2016/2017 FOB pricing is 2.5 percent less than the previous year. This combined with an estimated 7.5 percent reduction in export yield per hectare would mean most growers would have taken close to a 10 percent cut in gross revenue per hectare. There is still good levels of profitability in the sector however.

Consumption

Apples

Apple consumption at 65,700 MT for 2016/2017 has not been adjusted. This result will be seven percent greater than the previous year.

For 2017/2018 there is nothing to suggest apple consumption will change dramatically and the forecast is held stable at 65,750 MT.

Pears

Pear consumption for 2016/2017 is estimated at 10,750 MT the same as 2015/2016. Post forecasts consumption during 2017/2018 will be stable at 10,750 MT.

Processing

The 2016/2017, apple processing volume is now estimated at 140,000MT, 14 percent up on the previous forecast but still just less than one percent below 2015/2016. Industry sources suggest the difficult harvest in Hawkes Bay and the increased incidence of wind damage and low color development in later varieties reduced the export pack out rate. This fed through to an increased volume going for processing during the later harvest period.

Looking forward to 2017/2018 the apple processing volume is forecast at 131,500 MT six percent below 2016/2017. Even though total crop volume is forecast to be up export packout rates in the Hawkes Bay are expected to increase back up to recent average levels. This will reduce the proportion of the harvest going to processing.

The volume of pears going to processing is estimated at 2,000MT for 2016/2017 and then is forecast to reduce by ten percent in 2017/2018 to 1,800 MT.

Production, Supply, and Distribution Tables

Apples, Fresh New Zealand	2015/2016			2016/2017			2017/2018	
	Market Year Begin: Jan 2016			Market Year Begin: Jan 2017			Market Year Begin: Jan 2018	
(HA)/(MT)	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	New Post
Area Planted	9,205	9,205	9,205	9,600	9,600	9,600		9,825
Area Harvested	8,809	8,809	8,810	9,164	9,164	9,164		9,350
Bearing Trees	0		0	0	0			0

Non-Bearing Trees	0		0	0	0			0
Total Trees	0	0	0	0	0	0		0
Commercial Production	535,000	535,000	535,000	571,000	571,000	539,400		570,000
Non-Comm. Production	14,000	14,000	14,000	3,000	3,000	3,000		3,000
Production	549,000	549,000	549,000	574,000	574,000	542,400		573,000
Imports	300	323	323	200	200	300		250
Total Supply	549,300	549,323	549,323	574,200	574,200	542,700		573,250
Fresh Dom. Consumption	61,300	61,323	61,323	66,200	65,700	65,700		65,750
Exports	347,000	346,913	346,913	385,000	385,500	337,000		376,000
For Processing	141,000	141,087	141,087	123,000	123,000	140,000		131,500
Withdrawal From Market	0	0	0	0	0	0		0
Total Distribution	549,300	549,323	549,323	574,200	574,200	542,700		573,250
TS=TD	0	0	0	0	0	0	0	0

Note: Data included in this report is not official USDA data. Official data can be found at http://www.fas.usda.gov/psd

Pears, Fresh New Zealand	2015/2016			2016/2017			2017/2018	
	Market Year Begin: Jan 2016			Market Year Begin: Jan 2017			Market Year Begin: Jan 2018	
(Ha/MT)	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	New Post
Area Planted	420	420	420	400	400	400		400
Area Harvested	403	403	403	371	371	371		375
Bearing Trees	0	0	0	0		0		
Non-Bearing Trees	0	0	0	0		0		
Total Trees	0	0	0	0	0	0		0
Commercial Production	13,731	13,731	13,731	13,000	13,000	12,350		13,000
Non-Comm. Production	200	200	200	200	200	200		200
Production	13,931	13,931	13,931	13,200	13,200	12,550		13,200
Imports	3,200	3,231	3,231	4,000	3,900	3,900		3,500
Total Supply	17,131	17,162	17,162	17,200	17,100	16,450		16,700
Fresh Dom. Consumption	10,731	10,750	10,750	10,700	10,600	10,750		10,750
Exports	4,600	4,612	4,612	4,500	4,500	3,700		4,150
For Processing	1,800	1,800	1,800	2,000	2,000	2,000		1,800
Withdrawal From Market	0	0	0	0	0	0		0
Total Distribution	17,131	17,162	17,162	17,200	17,100	16,450		16,700
TS=TD	0	0	0	0	0	0	0	0

Note: Data included in this report is not official USDA data. Official data can be found at http://www.fas.usda.gov/psd

Trade

Apple Exports

2016/2017

New Zealand apple exports in 2016/2017 are now estimated at 337,000MT. This is 12.6 percent less than the previous forecast and 2.9 percent less than 2015/2016. Year to date (August) shipments at 7,400 MT (2.2 percent) behind 2015/2016 supports the updated estimate for 2016/2017. The reduction in export volume is surprising given earlier optimism but is in line with the reduction in total production. In addition reduced export pack-out rates caused by wind damage to fruit just prior to harvest of the later maturing fruit in Hawkes Bay contributed to the reduced export volume.

2017/2018

Focusing on the year ahead, 2017/2018, apple exports should resume an upward production trend and are forecast at 376,000MT. This would be an 11.6 percent increase compared to 2016/17. Production is set to increase and with consumption holding and processing volumes reducing the export increase will be more than proportionate to the production increase of 5.6 percent. This anticipated volume would finally surpass the 2004 record export volume of 358,327 MT.

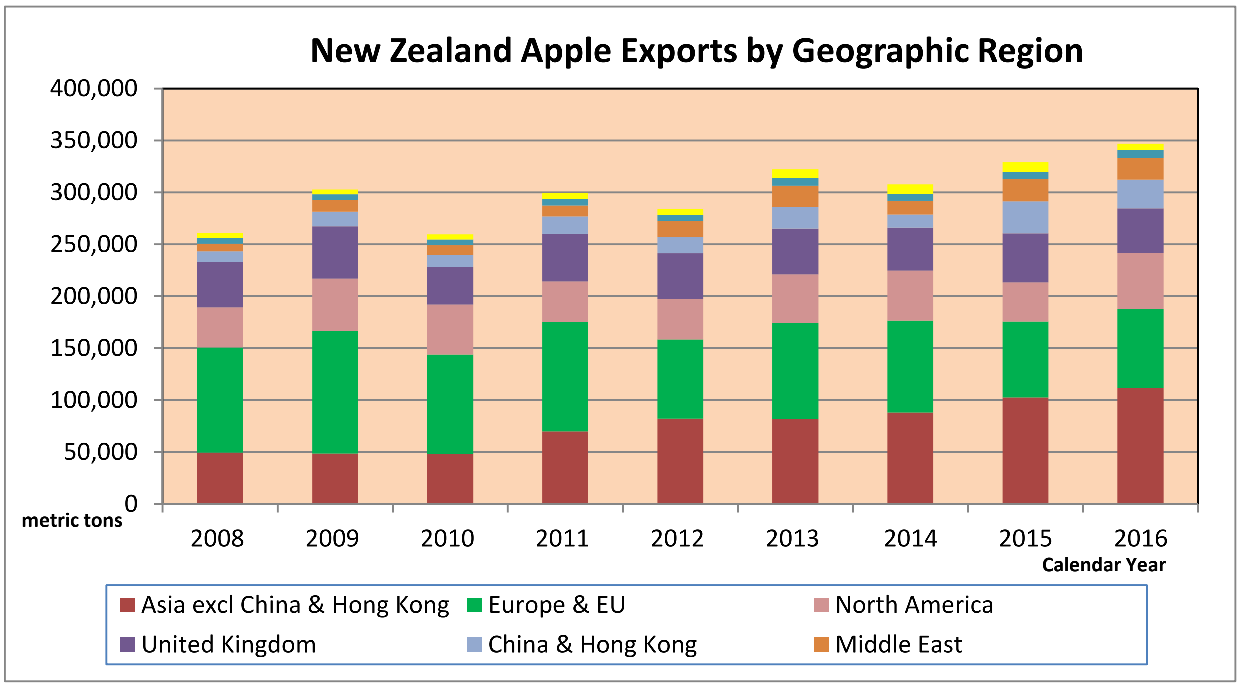
New Zealand Export Statistics for Fresh Apples								
Year To Date: January - August								
Partner Country	Unit	Quantity			% Share			% Change
		2015	2016	2017	2015	2016	2017	
Total exports to EU	T	70,231	72,568	77,094	21.91	21.45	23.30	6.24
United Kingdom	T	47,236	42,777	49,237	14.74	12.65	14.88	15.10
United States	T	32,050	48,624	38,080	10.00	14.37	11.51	- 21.68
Taiwan	T	21,995	31,994	23,346	6.86	9.46	7.06	- 27.03
Thailand	T	27,392	22,936	20,409	8.55	6.78	6.17	- 11.02
China	T	20,246	17,470	16,544	6.32	5.16	5.00	- 5.30
United Arab Emirates	T	17,706	16,875	15,641	5.52	4.99	4.73	- 7.31
Hong Kong	T	10,100	9,287	12,245	3.15	2.75	3.70	31.85
Vietnam	T	4,060	8,065	12,120	1.27	2.38	3.66	50.27
India	T	14,881	13,232	9,419	4.64	3.91	2.85	- 28.81
Rest of World Total	T	54,602	54,449	56,741	17.04	16.10	17.15	4.21
World Total	**T**	**320,499**	**338,277**	**330,876**	**100.00**	**100.00**	**100.00**	**- 2.19**

Source: GTA

New Zealand Export Statistics for Fresh Apples								
Year Ending: December								
Partner Country	Unit	Quantity			% Share			% Change
		2014	2015	2016	2014	2015	2016	
Europe Combined	T	88,707	73,327	76,117	28.81	22.29	21.94	3.80

United States	T	40,345	32,070	48,625	13.10	9.75	14.02	51.62
United Kingdom	T	41,548	47,236	42,925	13.49	14.36	12.37	- 9.13
Taiwan	T	19,876	22,096	32,183	6.46	6.72	9.28	45.65
Thailand	T	20,220	30,141	24,889	6.57	9.16	7.17	- 17.42
United Arab Emirates	T	11,422	18,764	17,785	3.71	5.70	5.13	- 5.22
China	T	1,966	20,331	17,491	0.64	6.18	5.04	- 13.97
India	T	12,487	15,007	13,253	4.06	4.56	3.82	- 11.69
Hong Kong	T	10,670	10,599	10,183	3.47	3.22	2.94	- 3.92
Singapore	T	8,747	8,336	9,070	2.84	2.53	2.61	8.81
Rest of World	T	51,905	51,124	54,392	16.86	15.54	15.68	6.39
World	**T**	**307,893**	**329,031**	**346,913**	**100.00**	**100.00**	**100.00**	**5.43**

Source: GTA



Source: GTA

Apple Imports

New Zealand Import Statistics for Fresh Apples				
Year To Date: January - August				
Partner Country	**Unit**	**Quantity**		
		2015	**2016**	**2017**
New Zealand(customs re-entry)	T	1	21	43
United States	T	94	0	22
Italy	T	0	0	7

World Total	**T**	**95**	**21**	**73**

Source: GTA

New Zealand Import Statistics for Fresh Apples			
Calendar Year: 2014 - 2016			
Partner Country	Quantity (MT)		
	2014	2015	2016
United States	822	173	281
New Zealand(customs re-entry)	21	1	42
World Total	**843**	**174**	**323**

Source: GTA

Pear Exports

2016/2017

Pear exports in 2016/2017 are now estimated at 3,700 MT based on year-to-date shipments. This will be 20 percent below 2015/2016 and 18 percent less than the previous forecast. It is the result of both a reduced production volume and a reduced export packout.

2017/2018

A rebound in pear exports in 2017/2018 is expected and they are forecast at 4,150 MT, which would be a 12 percent lift over 2016/2017.

New Zealand Export Statistics For Fresh Pears				
Year To Date: January - August				
Partner Country	Unit	2015	2016	2017
		Quantity	Quantity	Quantity
Taiwan	T	846	1,662	1,226
United States	T	1,102	1,121	1,072
China	T	151	45	326
United Kingdom	T	644	280	282
Exports to Total EU	T	174	239	184
Singapore	T	121	103	117
Canada	T	250	112	105
Tonga	T	41	50	83
Hong Kong	T	466	471	69
Fiji	T	96	184	81
Rest of World	T	176	188	134
World Total	**T**	**4,067**	**4,455**	**3,679**

Source: GTA

New Zealand Export Statistics For Fresh Pears							
Calendar Year: 2014 - 2016							
Partner Country	Quantity (MT)			% Share			% Change
	2014	2015	2016	2014	2015	2016	2016/2015
Taiwan	682	846	1,662	12.70	20.20	36.04	96.50
United States	2,265	1,102	1,121	42.17	26.32	24.32	1.76
Hong Kong	293	467	471	5.46	11.15	10.21	0.89
United Kingdom	623	644	280	11.60	15.37	6.06	- 56.54
Fiji	116	119	251	2.16	2.83	5.45	111.81
Europe Combined	519	174	239	9.66	4.16	5.18	37.36
Canada	261	250	112	4.86	5.98	2.44	- 55.06
Singapore	217	121	103	4.04	2.89	2.22	- 15.27
French Polynesia	71	62	93	1.32	1.48	2.03	50.77
Rest of World	325	402	280	6.05	9.60	6.07	-30.35
World Total	**5,372**	**4,187**	**4,612**	**100.00**	**100.00**	**100.00**	**10.15**

Source: GTA

Pear Imports

Since 2008, annual pear imports have varied between 3,000MT and 4,000MT with each year's total varying in relation to the availability of domestic pears. This is expected to remain the same for the foreseeable future. For 2016/2017, Post forecasts pear imports at 3,900MT, 21 percent greater the level of imports in 2015/2016. Post forecasts pear imports for 2017/2018 at 3,500MT, a ten percent reduction on 2016/2017, based on an increase in total production which will mean a greater volume being available on the domestic market.

New Zealand Import Statistics for Pears			
Year To Date: January - August			
Partner Country	2015	2016	2017
	Quantity (MT)	Quantity (MT)	Quantity (MT)
Australia	1235	1043	1427
China	61	129	234
United States	177	26	95
Korea South	6	28	16
World Total	**1479**	**1225**	**1772**

Source: GTA

New Zealand Import Statistics for Pears							
Calendar Year: 2014 - 2016							
Partner Country	Quantity			% Share			% Change
	2014	2015	2016	2014	2015	2016	16/15
Australia	1,929	2,839	2,108	52.15	68.75	65.23	- 25.75
United States	1,233	777	513	33.34	18.83	15.86	- 34.07

China	365	423	505	9.88	10.25	15.63	19.27
Korea South	100	89	106	2.71	2.16	3.29	19.01
New Zealand	0	0	0	0.00	0.01	0.00	- 100.00
American Samoa	71	0	0	1.92	0.00	0.00	0.00
World Total	**3,699**	**4,129**	**3,231**	**100.00**	**100.00**	**100.00**	**- 21.74**

Source: GTA

Trade Policy – Market Access Issues

Market access negotiations and barriers typically revolve around Sanitary- Phyto-sanitary (SPS) issues either food safety concerns or biosecurity. The deciduous fruit sector has no major problems with market access at the moment but there is always on going work to stay abreast of new or growing concerns in importing countries. At the same time the sector is working on innovations to make crop protection better and ensure market access requirements can be met more easily.