Required Report - public distribution

Date: 6/5/2019
GAIN Report Number: NZ1907

New Zealand

Fresh Deciduous Fruit Semi-annual

New Zealand Apple and Pear Production and Marketing May 2019

Approved By:
Rey Santella – Agricultural Counselor

Prepared By:
David Lee-Jones – Agricultural Specialist

Report Highlights:
For 2018/2019, apple production is forecast at 561,000 metric tons, three percent less than 2017/2018. This crop should, however, still produce an export volume of 368,300 metric tons only 1,000 metric tons less than the total for 2017/2018.

Executive Summary

The apple harvest area is forecast to be up four percent at 9,835 hectares (ha) in 2018/2019. Good growing conditions going into the summer (January to February 2019) had the industry advisors expecting a large crop, however, fruit sizes at harvest were well down compared to the previous year. As a result total apple production for 2018/2019 is estimated at 561,000 metric tons (MT), three percent below 2017/2018 and a four percent downward revision.

Total apple production for 2017/2018 has been revised upward again to 575,500 MT, ten percent higher than 2016/2017 and a one percent upward revision. This a direct result of the very good production season that was boosted by larger fruit sizes.

Post forecasts 2018/2019 apple exports at 368,300 MT, which would be just over 1,000 MT less than 2017/2018 but a six percent downward revision. The decrease is primarily due to the reduced production resulting from the smaller average fruit size.

Actual apple exports for 2017/2018 were 369,389 MT, up seven percent on 2016/2017. However this total was 1.5 percent below Post's October 2018 estimate because fruit quality losses from fruit stem splitting and russeting when fruit was graded and packed for export.

The extra apple production in 2017/2018 combined with the lower export pack-out proportion was likely to have significantly boosted the processing volume. It is now estimated at 132,775 MT, a ten percent revision. The 2018/2019 processing volume, however, is likely to fall to 120,000 MT in response to a reduced production volume and increased export pack-out proportion. Domestic consumption of apples is expected to only vary by 500 MT either side of 73,000 MT for both 2018/19 and 2017/18, with no discernable trends.

Pear production for 2018/19 is forecast at 12,000 MT, 12 percent less than 2017/2018. Hence, pear exports for 2018/19 are also reduced by 14 percent at 4,150 MT. For 2017/2018, pear production is estimated at 13,612 MT, which is a 16 percent increase on 2016/2017. Pear exports in 2017/2018 actually reached 4,812 MT.

The Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP) was ratified by seven of the eleven signatory countries and came into force for on December 30, 2018. This could mean additional apple exports to markets like Japan and Mexico.

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

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.

Planted and Harvested Area

Apples

The 2018/2019 planted area is forecast at 10,315 hectares (ha), up four percent on the estimated 9,925 ha in 2017/2018 and a 1.5 percent revision on the initial forecast. The harvested area in 2018/2019 is forecast at 9,835 ha, up four percent on 2017/2018 and a 1.5 percent revision on the initial forecast.

Orchard area is continuing to trend upwards with an estimated 300-400 ha of new land being planted each year or three to four percent per annum based on the high confidence for future profitability. The rate of growth is constrained by suitable land availability in the Hawkes Bay and the right types of trees.

Table 1

Deciduous Fruit Plantings in New Zealand by Variety (in Hectares)										
Calendar Year of Harvest	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 est.
Braeburn	2034	1,869	1740	1589	1504	1381	1352	1303	1239	1199
Cox	281	248	236	203	178	150	134	121	111	101
Cripps Pink/Pink Lady	353	397	434	446	459	443	461	523	562	606
Envy		88	174	272	285	315	346	416	544	610
Fuji	899	931	970	934	906	832	837	858	831	854
Granny Smith	282	267	256	256	246	240	219	233	231	247
Jazz	917	977	983	943	905	869	855	825	821	807
Pacific Beauty	149	135	127	120	113	92	84	83	71	56
Pacific Queen	220	263	291	351	456	622	730	827	878	880
Pacific Rose	424	416	399	396	390	379	364	365	342	321
Pacific series Sub-Total	793	814	817	867	959	1,093	1,178	1,275	1,291	1,257
Royal Gala & sports	2538	2,417	2423	2369	2386	2337	2410	2549	2604	2708
Other Varieties	389	421	376	385	484	709	790	707	930	1060
Total Apple Area	8,486	8,429	8,409	8,264	8,312	8,369	8,582	8,810	9,164	9,449
Total Pear Area	412	429	473	441	448	403	407	403	371	361
Unregistered area						383	320	413	465	495
Total	8,898	8,858	8,882	8,705	8,760	9,155	9,309	9,626	10,000	10,305
Braeburn as % of Apple Area	24.0 %	22.2 %	20.7 %	19.2 %	18.1 %	16.5 %	15.8 %	14.8 %	13.5%	12.7%
Royal Gala as % of Apple Area	29.9 %	28.7 %	28.8 %	28.7 %	28.7 %	27.9 %	28.1 %	28.9 %	28.4%	28.7%

Source: A&PNZI Survey

Note: The unregistered area includes planted area not currently producing fruit for export.

Pears

It appears there is a net downward trend in pear area. The 2018/2019 forecast for pear planted area is estimated at 375 ha, five percent less than 2017/2018 and a six percent revision down from the prior forecast. The harvested area is anticipated at 355 ha, five percent less than 2017/2018 and a five percent downward revision on the previous forecast. On a per hectare basis, pear production is not as profitable as apples, which is driving the trend.

Apple Production

2018/2019

With the harvest virtually completed, the 2018/2019 apple harvest is now estimated at 561,000 MT, which is three percent below 2017/2018 and a four percent downward revision. This is the result of:

- New plantings of the last two to three years coming into production.
- The main growing area of Hawkes Bay was very wet in August 2018, which meant the orchards went into the growing season with good soil moisture at full water-holding capacity. This helped minimize the amount of irrigation needed during the growing season.
- July to September 2018 was colder than normal, which prevented early budding and became the basis for good flowering and fruit set levels.
- Reduced average fruit size estimated at being in the order of a 10% reduction was the primary reason for the lower harvest.
- Fruit is of good quality this year with high color and the export pack-out rate is likely to be better than last year.

2017/2018

Post estimates apple production for 2017/2018 at 575,500 MT, ten percent above 2016/2017 and an upward revision of one percent on the previous estimate. This revision is based on new information from the sector. It stems from the abnormally wet and warm weather in the Hawkes Bay (61 percent of the total apple orchard area) during January and February 2018, which grew a heavier crop than had been previously estimated and produced much larger than normal fruit sizes (8-10 ten percent up for most varieties).

Pear Production

2018/2019

Post forecasts 2018/19 pear production at 12,000 MT, 12 percent less than 2017/2018. The same weather/crop issues, which affected the apple crop, particularly fruit size, are likely to have affected the pear crop fruit size as well.

2017/2018

Post has revised the 2017/2018 estimate for pear production up to 13,812 MT, a one percent upward revision. It is, however, a 16 percent increase on 2016/2017 production based on significantly higher per hectare yields coming from a better growing season.

Consumption

Apples

Post forecasts apple consumption in 2018/2019 to be 73,000 MT, just 500 MT less than the 2017/2018 total.

Pears

Pear consumption for 2018/2019 is expected to remain the same as last year at 10,750 MT.

Processing

The 2018/2019 apple processing volume is forecast at 120,000 MT, 10 percent lower than the previous year. The reduced total apple production and a higher export pack-out proportion is likely to reduce the volume for processing. Apples going to processing in 2017/2018 have been revised upward by 10 percent to an estimated 132,775 MT because of the extra production and the reduced export pack-out rate.

Pear processing in 2018/2019 is forecast at 1,800 MT, a 100 MT or five percent decrease from 2017/2018.

Production, Supply, and Distribution Tables

Table 2

Apples, Fresh New Zealand (HA)/(MT)	2016/2017 Market Year Begin: Jan 2017			2017/2018 Market Year Begin: Jan 2018			2018/2019 Market Year Begin: Jan 2019		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Planted	9,600	9,600	9,600	9,825	9,825	9,925	10,168	10,168	10,315
Area Harvested	9,164	9,164	9,164	9,400	9,400	9,450	9,700	9,700	9,835
Bearing Trees	0	0	0	0			0	0	0
Non-Bearing Trees	0	0	0	0			0	0	0
Total Trees	0	0	0	0	0	0	0	0	0
Commercial Production	520,000	520,000	520,000	565,000	565,000	572,500	580,000	580,000	558,000
Non-Comm. Production	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Production	523,000	523,000	523,000	568,000	568,000	575,500	583,000	583,000	561,000
Imports	500	482	482	300	300	164	300	300	300
Total Supply	523,500	523,482	523,482	568,300	568,300	575,664	583,300	583,300	561,300
Fresh Dom. Consumption	70,600	70,552	70,552	72,800	72,800	73,500	73,300	73,300	73,000
Exports	344,900	344,930	344,930	375,000	375,000	369,389	390,000	390,000	368,300
For Processing	108,000	108,000	108,000	120,500	120,500	132,775	120,000	120,000	120,000
Withdrawal From Market	0	0	0	0	0		0	0	0
Total Distribution	523,500	523,482	523,482	568,300	568,300	575,664	583,300	583,300	561,300
TS=TD	0	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

Table 3

Pears, Fresh New Zealand (Ha/MT)	2016/2017 Market Year Begin: Jan 2017			2017/2018 Market Year Begin: Jan 2018			2018/2019 Market Year Begin: Jan 2019		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Planted	420	420	420	400	400	395	400	400	375
Area Harvested	403	403	403	375	375	375	375	375	355
Bearing Trees	0	0	0	0	0	0	0		
Non-Bearing Trees	0	0	0	0	0	0	0		
Total Trees	0	0	0	0	0	0	0	0	0
Commercial Production	11,676	11,676	11,676	13,450	13,450	13,612	13,000	13,000	12,000
Non-Comm.	200	200	200	200	200	200	0	200	200

Production									
Production	**11,876**	**11,876**	**11,876**	**13,650**	**13,650**	**13,812**	**13,000**	**13,200**	**12,200**
Imports	**4,600**	**4,559**	**4,559**	**4,000**	**4,000**	**3,650**	**4,000**	**4,200**	**4,500**
Total Supply	**16,476**	**16,435**	**16,435**	**17,650**	**17,650**	**17,462**	**17,000**	**17,400**	**16,700**
Fresh Dom. Consumption	**10,776**	**10,750**	**10,750**	**10,750**	**10,750**	**10,750**	**10,200**	**10,750**	**10,750**
Exports	**3,800**	**3,785**	**3,785**	**5,000**	**5,000**	**4,812**	**5,000**	**4,850**	**4,150**
For Processing	**1,900**	**1,900**	**1,900**	**1,900**	**1,900**	**1,900**	**1,800**	**1,800**	**1,800**
Withdrawal From Market	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Distribution	**16,476**	**16,435**	**16,435**	**17,650**	**17,650**	**17,462**	**17,000**	**17,400**	**16,700**
TS=TD	**0**	**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

2018/2019

Post forecasts 2018/2019 apple exports at 368,300 MT, which would be just over 1,000 MT less than 2017/2018, but a six percent downward revision. The decrease is primarily due to the reduced production resulting from the smaller fruit size.

2017/2018

The actual 2017/2018 apple exports reached 369,389 MT which was 1.5 percent below Post's October 2018 estimate. It was still seven percent greater than the 2016/2017 total.

At harvest fruit quality issues such as increased fruit and stem splitting and russeting, were thought not to be reducing export pack-out volume nor increasing losses during storage. Ultimately however these issues have weighed negatively on the final volume exported.

Table 4

New Zealand Export Statistics for Fresh Apples							
Year To Date: January - March							
Partner Country	Quantity (MT)			% Share			% Change
	2017	2018	2019	2017	2018	2019	2019/2018
Total for EU	10,108	14,639	9,847	19.09	25.00	16.62	-32.73
Russia	2,226	1,648	1,776	4.20	2.81	3.00	7.79
China	4,087	5,365	9,060	7.72	9.16	15.29	68.89
United Kingdom	6,445	5,247	5,833	12.17	8.96	9.85	11.16
Thailand	5,096	4,587	5,377	9.62	7.83	9.08	17.23
India	2,288	4,795	5,240	4.32	8.19	8.84	9.27
United Arab Emirates	3,159	3,074	4,287	5.96	5.25	7.24	39.45
Taiwan	6,442	4,727	3,154	12.17	8.07	5.32	- 33.28
Hong Kong	2,055	2,727	2,980	3.88	4.66	5.03	9.29
Vietnam	1,720	2,459	2,839	3.25	4.20	4.79	15.44

United States	751	2,075	1,776	1.42	3.54	3.00	- 14.42
Rest of the World	8,580	7,220	7,072	16.20	12.33	11.94	-2.05
World Total	**52,957**	**58,563**	**59,241**	**100.00**	**100.00**	**100.00**	**1.16**

Source: GTA

Table (5) shows the effect of the relatively higher market prices for apples in Europe during 2018 because of the smaller 2017 European domestic crop harvest. This situation attracted more fruit from New Zealand in 2017/2018. Bucking recent trends, 26 percent of New Zealand's apple exports went to Europe in 2017/2018 versus an average of 22 percent in the preceding two years.

Once again in 2018/2019 Asian markets are showing positive demand growth, with volumes to China leading the way at 68 percent up for the year to date, partly in response to reduced domestic production caused by severe frost damage to their domestic crop. In Asian markets, a key determinant is economic growth. Reportedly, New Zealand exporters observe that Asian consumers view high quality apples as an aspirational consumer product. As they earn more, they aspire to purchase more apples.

Table 5

New Zealand Export Statistics for Fresh Apples							
Calendar Year: 2016 - 2018							
Partner Country	Quantity			% Share			% Change
	2016	2017	2018	2016	2017	2018	2018/2017
Total for EU	75,040	78,310	96,280	21.63	22.70	26.06	22.95
United Kingdom	42,925	49,237	44,665	12.37	14.27	12.09	- 9.29
United States	48,625	38,220	40,462	14.02	11.08	10.95	5.87
India	13,253	9,667	25,787	3.82	2.80	6.98	166.75
Taiwan	32,183	23,673	22,437	9.28	6.86	6.07	- 5.22
China	17,491	16,586	22,171	5.04	4.81	6.00	33.68
Thailand	24,889	23,605	18,654	7.17	6.84	5.05	- 20.97
Vietnam	8,316	13,311	18,149	2.40	3.86	4.91	36.35
United Arab Emirates	17,785	18,178	15,424	5.13	5.27	4.18	- 15.15
Hong Kong	10,183	13,416	14,074	2.94	3.89	3.81	4.91
Rest of the World	56,223	60,727	51,286	16.21	17.61	13.88	-15.55
World Total	**346,913**	**344,930**	**369,389**	**100.00**	**100.00**	**100.00**	**7.09**

Source: GTA

Apple Imports

Total apple imports dropped by 66 percent in 2017/2018 to only 164 MT. The large domestic apple crop and increased controlled atmosphere (CA) storage space is decreasing the demand for imports. For 2018/2019, Post is expecting a pause in this trend and is anticipating 300 MT of imports as a result of the actual production being less than expected and continued good demand for export fruit.

Table 6

New Zealand Import Statistics for Fresh Apples			
Calendar Year: 2016 - 2018			
Partner Country	Quantity (MT)		
	2016	2017	2018
United States	281	414	152
Poland	0	0	12
New Zealand(customs re-entry)	42	43	0
Italy	0	25	0
World Total	**323**	**482**	**164**

Source: GTA

Pear Exports

2018/2019

Pear exports for 2018/2019 are still expected to reach 4,150 MT, 14 percent less than 2017/2018 because of smaller total production.

2017/2018

Actual pear exports for 2017/18 totaled 4,812 MT, which is a four percent downward revision from the previous year, but still 27 percent greater than 2016/2017 on account of the larger production.

Table 7

New Zealand Export Statistics For Fresh Pears								
Calendar Year: 2016 - 2018								
Partner Country	Unit	Quantity			% Share			% Change
		2016	2017	2018	2016	2017	2018	2018/2017
Taiwan	T	1662	1226	1865	36.04	32.38	38.75	52.11
United States	T	1121	1072	1264	24.32	28.31	26.27	17.95
China	T	45	326	497	0.97	8.62	10.33	52.37
United Kingdom	T	280	282	236	6.06	7.45	4.90	- 16.49
Total for EU	T	239	184	231	5.18	4.86	4.80	25.54
Fiji	T	251	101	137	5.45	2.66	2.86	36.61
Canada	T	112	105	122	2.44	2.77	2.53	16.17
Tonga	T	84	122	106	1.82	3.23	2.20	- 13.54

French Polynesia	T	93	83	68	2.03	2.20	1.41	- 18.43
Singapore	T	103	117	50	2.22	3.10	1.04	- 57.17
Rest of world	T	622	167	236	13.49	4.41	4.90	41.32
World Total	**T**	**4612**	**3785**	**4812**	**100.00**	**100.00**	**100.00**	**27.12**

Source: GTA

Pear Imports

For 2018/2019, Post forecasts pear imports at 4,500 MT, 23 percent above 2017/2018. Even though production and exports are forecast down on 2017/2018, there will still be a demand gap in the domestic market, which is likely to be filled by imports.

Actual pear imports for 2017/2018 were 3,650 MT, nine percent less than Post's previous revision. It seems that even though exports were up, the extra production in 2017/2018 was enough to satisfy domestic demand for a longer period of the year.

Table 8

New Zealand Import Statistics for Pears							
Calendar Year: 2016 - 2018							
Partner Country	Quantity			% Share			% Change
	2016	2017	2018	2016	2017	2018	2018/2017
Australia	2108	3171	2707	65.23	69.56	74.16	- 14.63
China	505	718	500	15.63	15.76	13.70	- 30.37
United States	513	572	359	15.86	12.56	9.84	- 37.28
Korea South	106	93	84	3.29	2.05	2.30	- 10.05
Italy	0	4	0	0.00	0.08	0.00	- 100.00
World Total	**3231**	**4559**	**3650**	**100.00**	**100.00**	**100.00**	**- 19.93**

Source: GTA

Table 9

New Zealand Import Statistics for Pears							
Year To Date: January - March							
Partner Country	Quantity			% Share			% Change
	2017	2018	2019	2017	2018	2019	2019/2018
Australia	170	163	103	51.02	51.28	70.57	- 37.08
China	68	29	43	20.35	9.14	29.43	47.20
United States	95	126	0	28.62	39.58	0.00	- 100.00
World Total	**333**	**318**	**145**	**100.00**	**100.00**	**100.00**	**- 54.28**

Source: GTA

Market Access

The New Zealand deciduous fruit sector currently has no major problems with market access, however, port holdups, labeling issues, increased complexity of phyto-sanitary requirements and political issues are on the rise.

Trade Policy Update

CPTPP

The CPTTP Agreement includes 11 countries: New Zealand, Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, Singapore, and Vietnam. On December 30, 2018, the CPTPP came into force for the seven countries that ratified it (i.e., New Zealand, Australia, Canada, Japan, Mexico, Singapore, and Vietnam. The remaining countries have yet to ratify the treaty.

For New Zealand apple exporters, the progressive tariff reductions into Japan are seen as a key factor that should lead to increased sales. In 2016/2017, 3,624 MT of New Zealand apples were shipped to Japan, up from 1,440 MT the year before. For 2017/2018, 3,379 MT was shipped.

Table 10

NZ apple exports to Japan Tariff Reductions

Year	Y0	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11
Tariff	17.0 %	12.7 %	11.4 %	10.2 %	8.9 %	7.6 %	6.3 %	5.1 %	3.8 %	2.5 %	1.2 %	0.0 %

Source: MFAT, Apples & PearsNZ

Under CPTPP, tariffs on New Zealand apples to Japan will be reduced by 5.6 percent to 11.4 percent in 2019. Mexico’s tariffs are expected to decline to zero by year 11 and should stimulate new trade.