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Report Name: Fresh Deciduous Fruit Semi-annual

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Report Highlights:

New Zealand's apple production and exports are forecast to rise in marketing year 2021/22 (January 2022-December 2022), but remain far below levels previously expected as a result of continued shortages of harvest labor. The combination of reduced labor due to international border closures, as well as a slowdown in picking and packing because of COVID-19 outbreaks amongst staff, is resulting in some lower-value apple orchard blocks not being harvested. Also, strong rainfall in the Hawke's Bay delayed the start of harvesting, and there is not expected to be sufficient labor to catch up, which will also put pressure on production and export numbers. The number of apples for processing is also anticipated to remain relatively reduced, as companies are prioritizing their limited labor to pick those apples that are export-quality and of highest value.

Executive Summary

New Zealand's apple production and exports are forecast to rise in marketing year 2021/22 (January 2022-December 2022), but remain far below levels previously expected as a result of continued shortages of harvest labor. The combination of reduced labor due to international border closures, as well as a slowdown in picking and packing because of COVID-19 outbreaks amongst staff, is resulting in some lower-value apple orchard blocks not being harvested. Also, strong rainfall in the Hawke's Bay delayed the start of harvesting, and there is not expected to be sufficient labor to catch up, which will also put pressure on production and export numbers. The number of apples for processing is also anticipated to remain relatively reduced, as companies are prioritizing their limited labor to pick those apples that are export-quality and of highest value.

APPLES

Planted and Harvested Area

FAS/Wellington has revised down planted area in MY 2021/22 to 11,000 hectares (ha), unchanged from the previous year. Labor shortages and supply chain constraints have halted the trend of increasing planted area in New Zealand. However, although overall area is not expected to expand, there will continue to be replacement of old blocks with newer, higher-yielding varieties, and with new production and trellising systems. This replanting trend has been going on for a number of years and is even reported to have been accelerating as some poor-preforming and lower-value blocks have gone unpicked due to the harvest labor shortage. This has motivated orchard owners to begin the process of replacing them. Older varieties such as Braeburns, primarily for European markets, are increasingly being replaced by varieties more attractive to Asian markets (typically with more red color and sweeter).

Production

FAS/Wellington has lowered the production forecast for MY 2021/22 to 553,000 metric tons (MT), just three percent up on last year's revised production estimate. If realized, this crop would also be six percent below the record crop of MY 2019/20. Because of the trend of many older blocks being replaced with higher-yielding varieties, and with many of these new trees now coming into production, in general expectations would be that for the short to medium term there would be a trend of record apple production each year in New Zealand. However, production this year has been hit by two major factors:

Labor shortages: Similar to last year, labor (and especially harvest labor) continues to be the major issue impacting apple production. Typically, labor for the apple industry comes from one of three sources – backpackers, local New Zealand workers, and workers from pacific islands as part of the Recognized Seasonal Employer Scheme (RSE). Because of the international border closures, backpackers are largely non-existent, and local New Zealand laborers are also scarce because of strong demand for labor from other sectors throughout the New Zealand economy. As a result, RSE workers, which have also been reduced in number because of the border closures, have become even more vital for orchards throughout New Zealand. Although international border restrictions have now been relaxed, this is not expected to have any impact on the supply of labor for this year's harvest which commenced a few months ago.

In addition to labor shortages as a result of the border closures, picking and packing operations have also been impacted by the outbreak of Omicron in New Zealand, as a large number of staff came down with the illness and had to isolate at home as a result.

Rainfall delaying onset of harvest in Hawkes Bay: Another key factor this year is that strong rainfall in the Hawke's Bay (which is the area responsible for the majority of apple production and exports in New Zealand), delayed the onset of picking by a couple of weeks. Although in a typical year a harvest delay could be made up by increased picking and packing during the season, because of the labor shortages this year industry contacts report that there is no expectation that companies will be able to catch up. As a result, overall production will be below previous expectations and it is expected that a substantial amount of fruit will be left unharvested.

Although these negative factors have resulted in a downward revision to the apple production forecast, production is still expected to be higher than last year. The main reason for this is that last year the Nelson growing region (located at the northern end of the South Island) experienced severe hail which sharply reduced the crop in that region. However, growing conditions for this year's crop were much improved, and as a result higher production in Nelson is expected to help raise the overall crop amount.

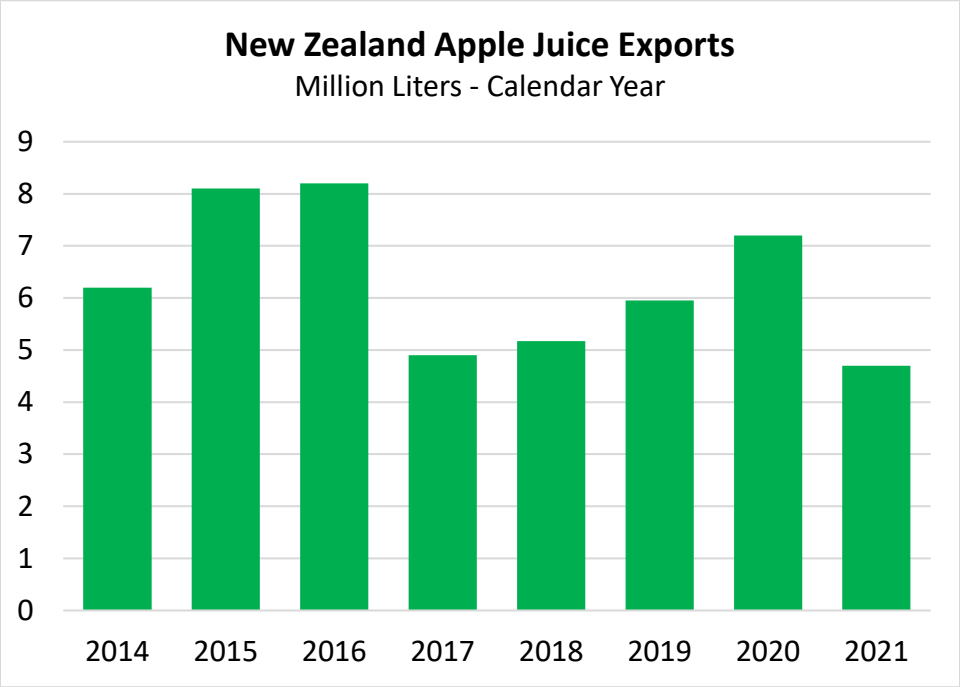
MY 2020/21 production is also revised down to 538,000 MT, 15,000 MT below the previous estimate. With final export figures now available, and indications that processing volumes were down sharply, it has become apparent that fewer apples were harvested than previously estimated.

Consumption

Domestic consumption for both MY 2021/22 and MY 2020/21 has been revised down significantly due to reduced volumes going for processing. Typically, around 74,000 MT goes for fresh consumption by New Zealand consumers, with the rest for processing. The amount for fresh consumption tends to stay relatively stable, while the processing volumes can fluctuate from year to year depending on apple supply and quality. Because of the shortage of labor, indications are that apple companies are prioritizing their picking on export-quality fruit and higher-value varieties, and this will leave less available for processing. It is anticipated that some apples that would typically be used for processing will be left unpicked this year. A similar situation is reported to have occurred last year.

A large number of apples for processing go for apple juice production, the vast majority of which is exported. In the past, apple juice exports volumes have been strongly correlated to the volumes of apples going for processing. Apple juice exports typically reach high levels in June after apple harvest nears its end, and stay elevated through December, with about 70 percent of the yearly total being shipped in the last seven months of the calendar year. Apple juice exports in 2021 (most of which would correlate to production from the MY 2020/21 apple marketing year) were sharply down from the previous year (see Figure 1). This indicates that processing volumes were down significantly in MY 2020/21, rather than up as previously estimated. It is believed that last year a large number of apples for processing were just left unpicked to conserve harvest labor on the most valuable apples, and as previously explained this also seems to be occurring with this year's harvest.

Figure 1 – Apple Juice Exports



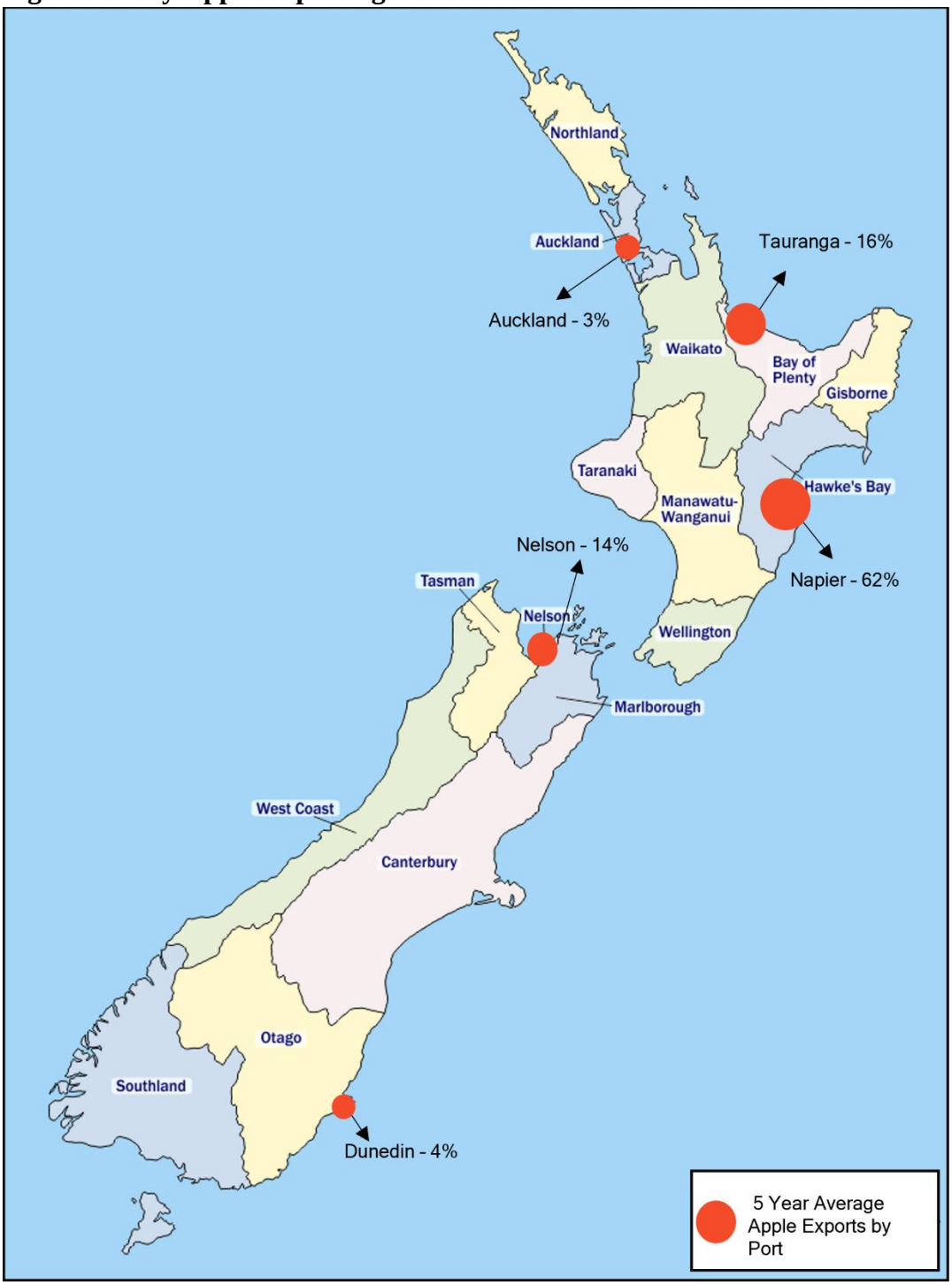
Source: Trade Data Monitor

Exports

FAS/Wellington has revised down the apple export estimate to 375,000 MT in MY 2021/22, up five percent from the previous year but still down seven percent from the record volume shipped in MY 2019/20. The downward revision is a result of smaller production than previously anticipated due to the labor shortage and delayed harvest. The shortage of labor is causing companies to prioritize the picking of high-value varieties and export-quality fruit, and as a result it is expected that a higher percentage of fruit picked will be exported this year.

Apple exports continue to be impacted by shipping delays, including container availability and delayed shipping schedules. However, the fact that the majority of apples leave from the Napier port, which is a small port relatively focused on apples (see Figure 2), has somewhat helped mitigate the impact.

Figure 2: Key Apple Exporting Ports in New Zealand

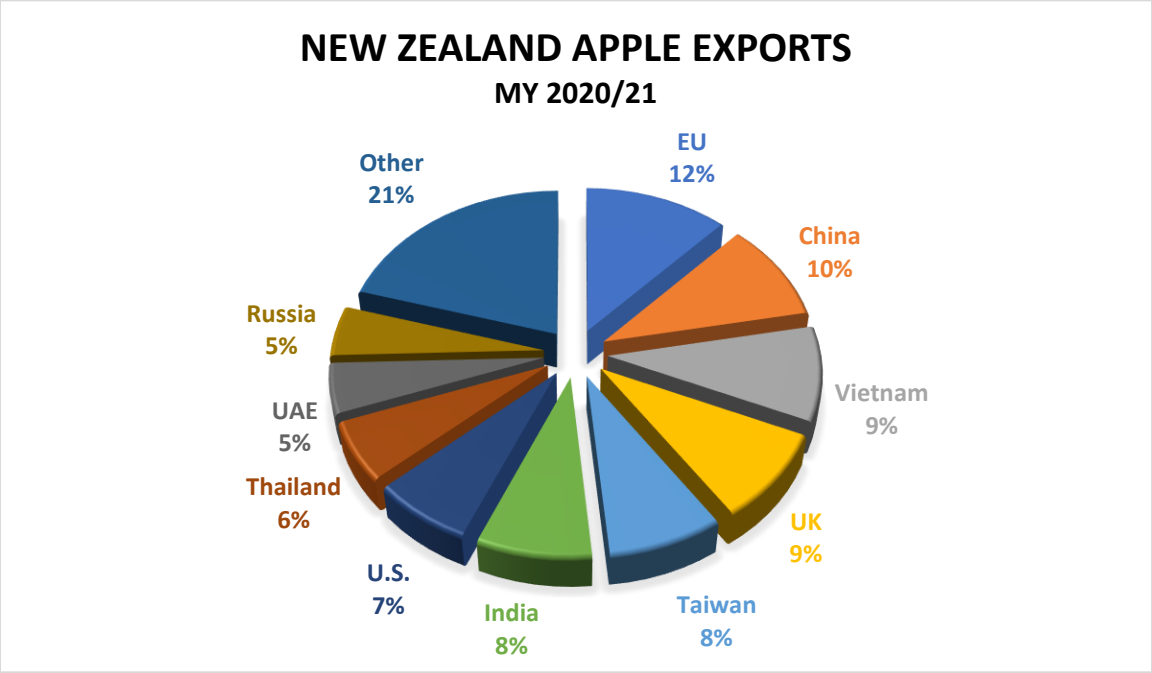


Source: TDM, FAS/Wellington, base map from https://d-maps.com

Exporters expect the Russian invasion of Ukraine to have a small but noticeable impact on New Zealand's apple exports. Russia typically accounts for only about five percent of New Zealand's exports. However, this market was largely for less-than-premium-quality fruit so will have an impact on this segment of exports. Also, there is concern that fewer exports to Russia from competitors such as Chile and South Africa will also increase competition in other markets.

In general, New Zealand apple exports are very well diversified across a range of markets, which contrasts with New Zealand agricultural exports in general which are heavily focused on China (accounting for nearly 40 percent of total New Zealand agricultural exports by value last year). The EU is the largest market, but its importance has been diminishing for a number of years.

Figure 3: New Zealand Apple Exports by Destination



Source: Trade Data Monitor

Exports for MY 2020/21 (calendar year 2021) fell to 357,800 MT, down 11 percent from the previous year as the shortage of harvest labor, as well as hail damaging part of the crop, reduced production. This was the lowest export volume since 2016/17, and there had previously been three straight years of rising apple exports.

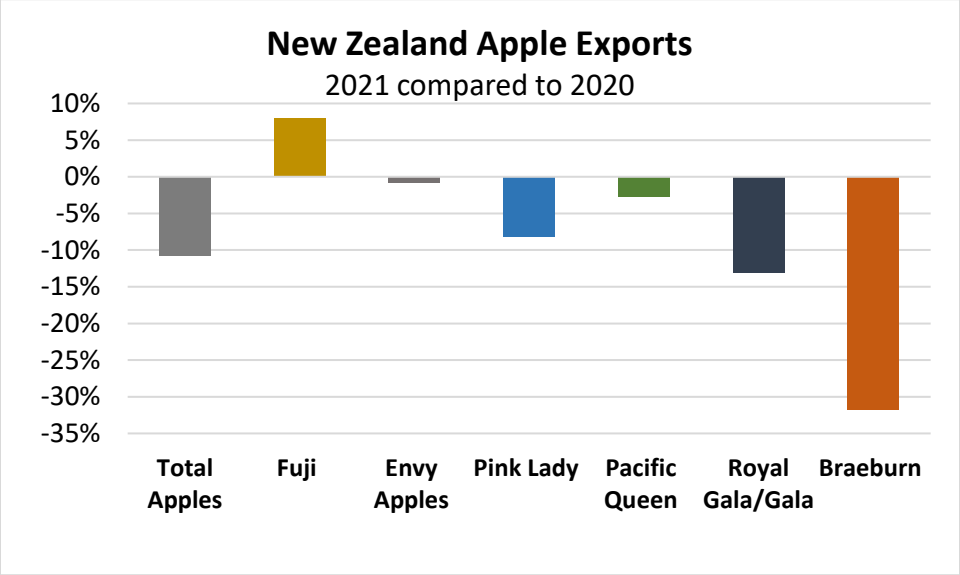
Exports to the European Union and the United Kingdom fell the most, being down 19 percent and 18 percent, respectively. Exports to China, the second largest market, were also down but by only six percent. Shipments to key markets of Vietnam, Taiwan, and India were all up last year despite the overall New Zealand apple export decline.

Shipments last year followed the long-term pattern of declining New Zealand exports to Europe and the United Kingdom and a shift towards Asian markets. As mentioned, this trend has also driven the

replanting of blocks from older, lower-value apples such as Braeburns to higher-value apples suited for Asian markets. Last year the unit price of New Zealand apples to Germany (the largest EU market for New Zealand), was $1,250 per ton (USD), and for the United Kingdom $1,300 per ton. This compares to nearly $2,600 per ton for apples to China, and $1,950 to Vietnam.

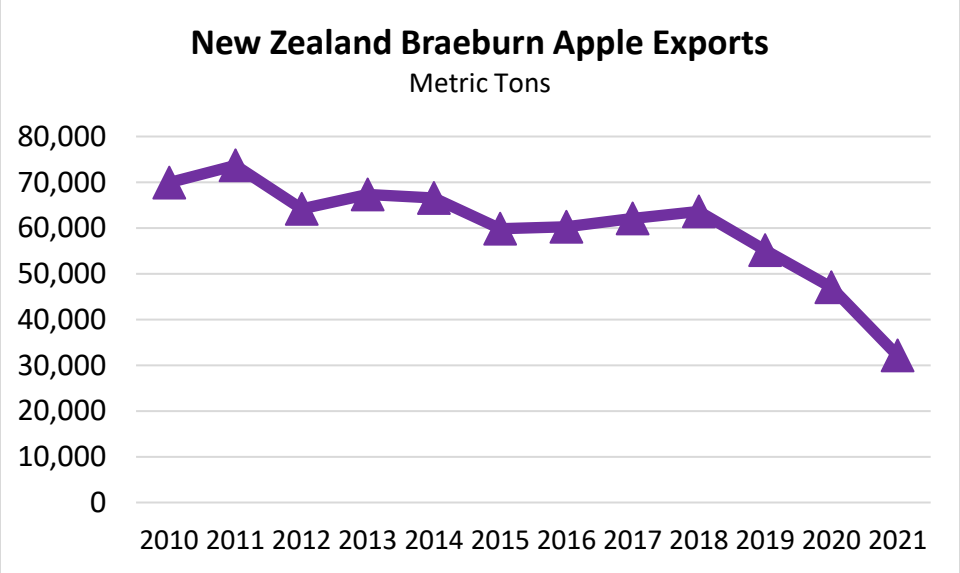
Exports of Braeburn apples saw the most dramatic drop last year of any variety, down nearly one-third (see Figures 4 and 5).

Figure 4: Apple Exports by Variety – Year to Year Change



Source: Trade Data Monitor

Figure 5: Braeburn Apple Export Trend



Source: Trade Data Monitor

Imports

New Zealand imports very few apples, and MY 2021/22 imports have been revised down to 300 MT from a previous estimate of 500 MT. This is a result of the very slow pace of imports so far this year. Nearly all of the apples imported into New Zealand are from the United States. MY 2020/21 apple imports fell to 351 MT, down sharply from the previous year.

Production, Supply, and Distribution – Apples

Apples, Fresh	2019/2020		2020/2021		2021/2022	
Market Year Begins	Jan 2020		Jan 2021		Jan 2022	
New Zealand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (HA)	10725	10725	11000	11000	11300	11000
Area Harvested (HA)	10180	10180	10200	10200	10650	10300
Commercial Production (MT)	588200	588200	550000	535000	575000	550000
Non-Comm. Production (MT)	3000	3000	3000	3000	3000	3000
Production (MT)	591200	591200	553000	538000	578000	553000
Imports (MT)	600	638	500	351	500	300
Total Supply (MT)	591800	591838	553500	538351	578500	553300
Domestic Consumption (MT)	190600	190638	193500	180551	198500	178300
Exports (MT)	401200	401200	360000	357800	380000	375000
Withdrawal From Market (MT)	0	0	0	0	0	0
Total Distribution (MT)	591800	591838	553500	538351	578500	553300
(HA) ,(1000 TREES) ,(MT)						

PEARS

Production

FAS/Wellington forecasts New Zealand's pear production at 11,500 MT in MY 2021/22, down from the previous estimate but still a year-on-year increase from MY 2020/21. Similar to the situation with apples, the combination of reduced harvest labor and a delayed onset of harvest has caused the downward revision in production. However, a recovery in production in the Nelson region (which experienced hail damage last year) is expected to result in the production rise from MY 2020/21.

Consumption

New Zealand pear consumption is forecast to remain relatively steady at 13,000 MT.

Exports

FAS/Wellington has revised down the pear export estimate for MY 2021/22 to 2,500 MT, up slightly compared to the previous year. The downward revision is a result of the smaller-than-expected production this year. MY 2020/21 exports were 2,100 MT, down nearly one-quarter from the previous year. Taiwan was by far the largest export market, accounting for over half of exports.

Imports

Pear imports for MY 2021/22 are forecast at 4,000 MT, down from last year as a result of the high domestic production forecast. MY 2020/21 imports were 4,500 MT. Australia accounted for over three-quarters of imports, with China and the United States the next two largest suppliers.

Production, Supply, and Distribution – Pears

Pears, Fresh	2019/2020		2020/2021		2021/2022	
Market Year Begins	Jan 2020		Jan 2021		Jan 2022	
New Zealand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (HA)	375	375	375	375	375	375
Area Harvested (HA)	341	341	330	330	351	345
Commercial Production (MT)	12500	12500	10550	10550	11750	11300
Non-Comm. Production (MT)	200	200	100	100	200	200
Production (MT)	12700	12700	10650	10650	11950	11500
Imports (MT)	4400	4400	4600	4500	4000	4000
Total Supply (MT)	17100	17100	15250	15150	15950	15500
Domestic Consumption (MT)	14400	14400	13150	13050	12950	13000
Exports (MT)	2700	2700	2100	2100	3000	2500
Withdrawal From Market (MT)	0	0	0	0	0	0
Total Distribution (MT)	17100	17100	15250	15150	15950	15500
(HA) ,(1000 TREES) ,(MT)						

Attachments:

No Attachments