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Global Agricultural Information Network

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New Zealand

Fresh Deciduous Fruit Annual

Annual

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Report Highlights:
Apple production in MY 2009 is estimated at 420,000 tons, down 8% from the previous year, and exports are estimated at 257,000 tons, down 15%. Poor weather is a chief culprit accounting for the drop in production and exports. Production in MY 2010 is forecast to rebound to 471,000 tons, largely because of favorable weather conditions during the spring and an increase in planted area. Exports are forecast at 297,000 tons.

Executive Summary:

Apple production in MY 2009 is estimated at 420,000 tons, down 8% from the previous year, and exports are estimated at 257,000 tons, down 15%. Poor weather is a chief culprit accounting for the drop in production and exports.

With the exception of returns to organic growers, the drop in production did not translate into improved grower returns. Conventionally grown fruit are thought to have returned on average approximately NZ $20.50 per tray carton equivalent (TCE), which is virtually the same as the previous year. By contrast, returns to organic growers are thought to be on the order of NZ $36/TCE. Breakeven costs for growers are estimated at approximately NZ $21/TCE.

Production in MY 2010 is forecast to rebound to 471,000 tons, largely because of favorable weather conditions during the spring and an increase in planted area. Exports are forecast at 297,000 tons.

A WTO panel published its decision regarding New Zealand apple access to the Australian market at the end of June 2010. The panel found that Australia's measures are inconsistent with its legal obligations as a WTO member under the WTO SPS agreement. Australia appealed the decision and the case was heard in Geneva in mid October 2010. The appeal panel's decision is expected to be made public by the end of November 2010.

Production, Supply and Demand Data Statistics:

PSD Tables

Apples, Fresh New Zealand (Ha/MT)	2008 2008/2009 Market Year Begin: Oct 2008			2009 2009/2010 Market Year Begin: Oct 2009			2010 2010/2011 Market Year Begin: Oct 2010		
	Official Data	Post Estimate	New Post Data	Official Data	Post Estimate	New Post Data	Official Data	Post Estimate	New Post Data
Area Planted	8,850	8,850	8,850	8,850	8,950	8,950			9,150
Area Harvested	8,600	8,600	8,600	8,500	8,630	8,630			9,045
Bearing Trees	0	0		0	0				
Non-Bearing Trees	0	0		0	0				
Total Trees	0	0	0	0	0	0			0
Commercial Production	450,000	439,150	442,364	405,300	401,500	404,645			455,000
Non-Comm. Production	15,000	15,000	15,000	15,000	15,000	16,000			16,000
Production	465,000	454,150	457,364	420,300	416,500	420,645			471,000
Imports	1,253	1,658	1,658	2,000	2,000	1,355			1,500
Total Supply	466,253	455,808	459,022	422,300	418,500	422,000			472,500
Fresh Dom. Consumption	53,000	56,600	59,800	62,300	57,000	60,000			60,000
Exports	302,854	303,016	303,030	260,000	256,500	257,000			287,500
For Processing	110,399	96,192	96,192	100,000	105,000	105,000			125,000
Withdrawal From Market	0	0		0	0				
Total Distribution	466,253	455,808	459,022	422,300	418,500	422,000			472,500
TS=TD			0			0		0	0

Pears, Fresh New Zealand (Ha/MT)	2008 2008/2009 Market Year Begin: Oct 2008			2009 2009/2010 Market Year Begin: Oct 2009			2010 2010/2011 Market Year Begin: Oct 2010		
	Official Data	Post Estimate	New Post Data	Official Data	Post Estimate	New Post Data	Official Data	Post Estimate	New Post Data
Area Planted	412	412	412	431	431	431			431
Area Harvested	0	0		0	431	431			431
Bearing Trees	0	0		0	0				
Non-Bearing Trees	0	0		0	0				
Total Trees	0	0	0	0	0	0			0

Commercial Production	14,670	14,670	14,670	13,900	14,000	14,000			15,000
Non-Comm. Production	200	200	200	200	200	200			200
Production	14,870	14,870	14,870	14,100	14,200	14,200			15,200
Imports	3,158	3,442	3,442	2,500	3,400	3,550			3,300
Total Supply	18,028	18,312	18,312	16,600	17,600	17,750			18,500
Fresh Dom. Consumption	10,013	10,300	10,300	8,500	10,300	10,300			10,300
Exports	5,515	5,512	5,512	5,600	4,800	5,000			5,700
For Processing	2,500	2,500	2,500	2,500	2,500	2,450			2,500
Withdrawal From Market	0	0		0	0				
Total Distribution	18,028	18,312	18,312	16,600	17,600	17,750			18,500
TS=TD			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

Planted Area

According to estimates by Pipfruit New Zealand, which are based on grower intentions, area planted to apple production during the 2010/2011 production season will increase by 415 hectares, which is nearly a 5% increase. A significant amount of the new area is likely to be planted to the Jazz apple variety, but other new and established cultivars such as Royal Gala, Braeburn, and Fuji will also be planted.

Table of Deciduous Fruit Plantings in New Zealand by Variety (in Hectares)									
Marketing Year	MY2001	MY2002	MY2003	MY2004	MY2005	MY2006	MY2007	MY2008	MY2009
Calendar Year of Harvest	2002	2003	2004	2005	2006	2007	2008	2009	2010
Braeburn	3,632	3,767	3,901	3,159	2,464	2,484	2246	2034	1,869
Royal Gala	3,749	4,010	4,153	3,393	2,872	2,893	2669	2538	2,417
Cox	557			401	354	314	295	281	248
Fuji	1,054	1,094	1,133	1,018	875	836	829	899	931
Granny Smith	317			374	322	294	286	282	267
Cripps Pink/Pink Lady	241			349	287	248	285	353	397
Jazz	127			289	440	576	768	917	977
Pacific series	1,713	1,094	1,133	1,521	1,198	929	828	793	814
Other Varieties/Unidentified	315	2,184	2,264	257	184	192	333	388	712
Total Apple Area	11,705	12,149	12,584	10,761	8,996	8,766	8,539	8,485	8,632
Total Pear Area	965	910	910	936	722	735	412	412	431
Total Area	12,670	13,059	13,494	11,697	9,718	9,501	8,951	8,897	9,063
Braeburn as % of Total Apple Area	31.0%	31.0%	31.0%	29.4%	27.4%	28.3%	26.3%	24.0%	21.7%

Royal Gala as a % of Total Apple	32.0%	33.0%	33.0%	31.5%	31.9%	33.0%	31.3%	29.9%	28.0%

Source: Pipfruit NZ Inc Statistical Annual 2009

Notes:

1. Pipfruit NZ took over data collection for tree statistics from Stats NZ in 2006. Pipfruit NZ believes Stats NZ may have over estimated the tree count prior tot 2006.

2. PSD area estimates are slighter higher than those provided by Pipfruit NZ to take into account crops produced outside of Pipfruit NZ's grower registration system.

Production

Apples

Based on the latest export data and more recent domestic consumption estimates, the total production estimate for MY 2009 (October 2009 to September 2010) has been revised upwards by 4,000 tons to 420,000 tons. However, this still represents an 8% drop in production from the previous year. Reasons for the decline include:

- widespread hail in October 2009, which particularly impacted on late season varieties;
- a cold, wet spring in the Hawke's Bay region of the North Island, which reduced yields by approximately 20%;
- lower yields of the Braeburn variety, a mainstay of New Zealand apple production, due to alternate-year bearing patterns; and,
- more disease (black spot) and pest pressure in the two main growing regions of Hawke's Bay on the North Island and Nelson on the South Island.

Apple production during MY 2010 (October 2010 to September 2011) is forecast to rebound from last year's poor season reaching a total of 471,000 tons, a 12% increase. (This forecast, which assumes no major weather problems later in the season, would put MY 2011 apple production at 13,000 tons, or 3% higher than the MY 2008 crop, which was considered a good crop in New Zealand.) In addition to orchards returning to normal production yields, factors contributing to an increase in production include:

- yields from those trees that are strongly biennial bearing will be up this year;

- the weather in the main growing regions has been favorable so far this spring and trees are showing good blossom levels; and,
- planted area has increased by approximately 5%. (Although this area is newly planted with immature trees that have not reached full production potential, it will still have an upward impact on production.)

Pears

The estimate for MY 2009 pear production remains unchanged at 14,200 tons, which is a drop of 5% from the previous year. Looking forward to MY 2010, total pear production is forecast to be up 7% to 15,200 tons. Many of the factors supporting the increase in apple production are at play here; namely a slight expansion of planted area and good climatic conditions so far in the growing season.

Grower Returns

Given that exports account for up to 66% of the crop and processing (which is partly a mechanism for fruit that can't be sold for fresh eating) takes a further 21 to 27%, final grower returns are heavily dependent on the level of export prices.

Apple Prices in NZ$ per Tray Carton Equivalent (18 kgs)
(Free Alongside Ship Basis)

Variety and or Growing Method	MY 2003	MY 2004	MY 2005	MY 2006	MY 2007	MY 2008	MY 2009 est.
Braeburn- IFP	15.11	9.81	19.42	16.29	25.09	16.13	16.50
Royal Gala- IFP	16.73	13.87	19.26	19.13	22.16	21.11	20.50
Jazz- IFP	37.39	31.81	34.24	29.57	30.98	19.46	20.00
Cripps Pink/Pink Lady- IFP	27.17	22.72	26.56	25.8	32.12	26.71	22.50
Fuji- IFP	19.98	18.13	27.06	24.01	26.1	25.53	26.00
Braeburn- Organic			48.17	30.75	35.14	17.43	
All Organic Apples				32.45	36.03	21.15	36.00
Average All Apples	15.55	12.88	20.02	19.06	24.44	20.52	21.75
Breakeven Costs					23.00	20.35	21.00

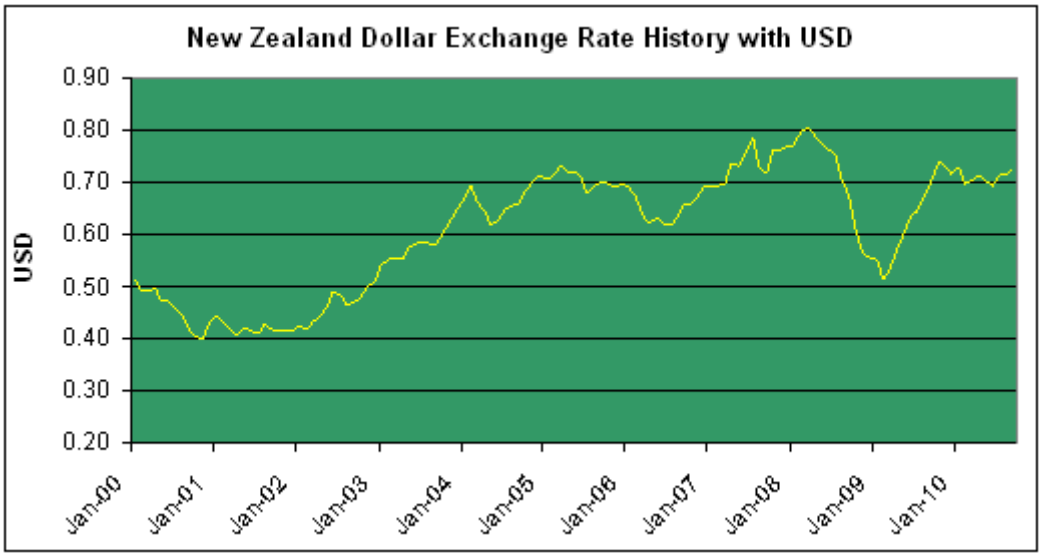
Sources: PipfruitNZ, MAF, Post estimates.

Note: Breakeven costs include all growing, packing, storage and freight costs to the ship side.

Some industry contacts characterize the current state of play of the apple industry as "treading water" with grower returns too low to provide a return on capital sufficient to provide for reinvestment. This has negatively impacted on grower confidence regarding the future of the industry. However, growers who have targeted the Asian market and have modern high producing orchards with varieties such as Fuji, the Pacific series, Royal Gala or Pink Lady are reportedly making profits.

The huge investment in the Jazz variety, which in MY 2009 totaled 977 hectares or 11% of the total planted area, has been called into question after two very poor years and no indication that grower returns will be any better in MY 2010. Additional Jazz plantings are likely to come into full production over the next 2-3 years, which may exacerbate current marketing challenges. Growers are already reportedly looking at grafting over blocks of Jazz to other varieties.

The strength of the New Zealand dollar vis a vis both the USD and the Euro has eroded returns to growers. Unlike Zespri, the kiwifruit cooperative, or Fonterra, the dairy cooperative, the pipfruit industry tends not to have a currency hedging strategy. As a result, many growers are finding it difficult to cope with the strength and volatility of the NZ currency.



Source: Reserve Bank of NZ

Consumption

Apples

New information from Pipfruit New Zealand suggests that domestic apple consumption is on the order of 60,000 tons. Accordingly, the MY 2009 estimate has been amended and it is assumed that consumption will hold steady in MY 2010.

Selected Monthly Weighted Average Retail Prices for Apples in New Zealand (Monthly, NZD/kg)		
Date	**Price**	**% Change**
2007 Sep	$2.13	NA
2008 Sep	$2.79	31.0%
2009 Sep	$2.60	-6.8%
2010 Jan	$3.57	37.3%
2010 Mar	$2.11	-40.9%
2010 Jun	$2.12	0.5%
2010 Sep	$2.45	15.6%

Source: Statistics NZ

Pears

Post forecasts that pear consumption will remain stable at 10,300 tons.

TRADE

Apple Exports

Reflecting the decline in production, total apple exports are forecast to fall to 257,000 tons in MY 2009, or 15% below the previous marketing year.

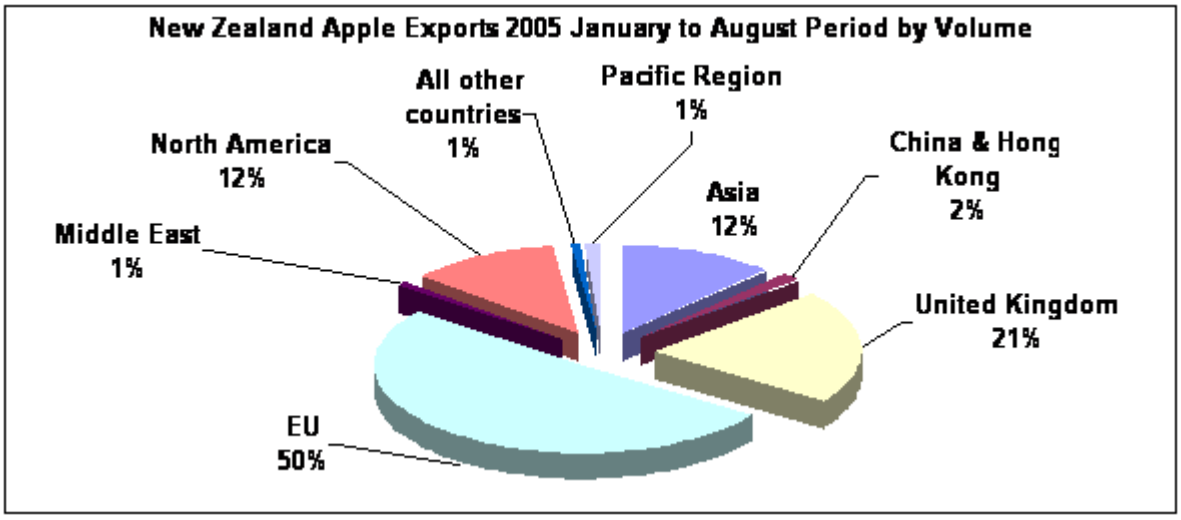
In light of the expected increase in production, improved export performance is forecast for MY 2010 with a 12% jump in exports to a total of 287,500 tons. While the increase in production could result in up to 306,000 tons available for export, it is likely that approximately 18,500 tons will go into processing. Several industry sources have reported that there are increasing commitments to send entire blocks straight to processing. This has been supported by:

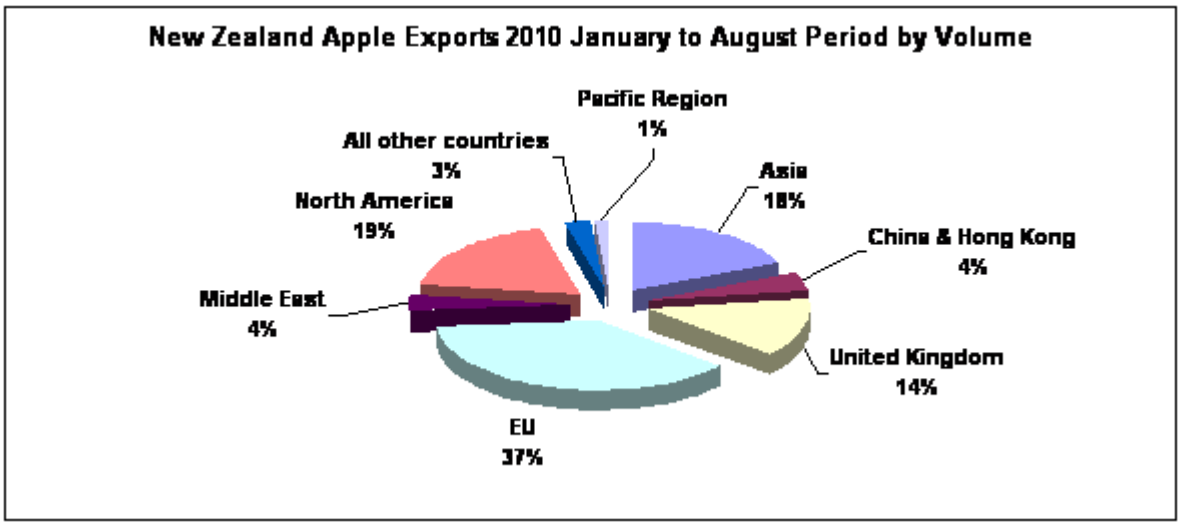
- The fear that Braeburn returns will be even less next year than this year. (MY 2009 returns are estimated at NZ $16.50/TCE with breakeven costs at NZ $20-21/TCE);
- A letter circulated by Pipfruit New Zealand to all growers highlighting the problems associated with marketing Braeburn and Jazz varieties in the Europe this year; and,
- One processor already offering a whole block straight for processing at NZ $160 per ton. (Imports can be reduced and yields increased so that a small profit on the block can still be achieved.)

The challenges with the Braeburn crop, a late season, tart apple well suited to the European market, highlight general issues confronting the industry including dependence on the European/UK markets; many exporters competing with a limited number of buyers; and exchange rate fluctuations. When Braeburn spot prices crashed late in the MY 2009 selling season, prices of other apple varieties were pulled down as well.

The MY 2010 Braeburn export crop could increase by more than 30% over MY 2009 volumes, which is causing concern within the New Zealand apple industry and moves are afoot to determine how best supply volumes can be controlled to maintain prices for growers.

Apple Export Trends





Source: Global Trade Atlas

Asia

An ongoing trend is the diversification away from the traditional apple markets of Europe to the growing markets in Asia and the Middle East. During the January-August period of 2005, the bulk of the shipping season, these two regions took 47,222 tons, or 15% of total apple exports. For the same period in 2010, shipments were 69,999 tons, or 26% of total exports. Over the last five years, the volume growth trend to Asia and the Middle East is approximately 11% per annum against a background of an overall apple export volume decline of approximately 2% per annum.
While there are plenty of opportunities in Asia there are also challenges, including sanitary phyto-sanitary (SPS) and tariff issues. SPS issues, in particular, seem to be restraining growth in China and Taiwan. The major SPS issues are quarantine list pests found in fruit, which necessitates higher levels

of inspection and different spray and pest monitoring programs throughout the growing season. In Korea, a high tariff of 45% limits exports. New Zealand's and Australia's recently signed ASEAN FTA will lead to reduced tariffs in other Asian markets, including Vietnam and Thailand.

New Zealand's apple variety mix also presents a challenge as some believe that it doesn't ideally suit the Asian market. Asian consumers tend to favor a sweeter, smaller to medium sized fruit such as Royal Gala, Fuji, the Pacific series, and Granny Smith. Much of the new planting that has occurred over the last five years has been to the Jazz variety, which is a late season, tart tasting apple that is reportedly better suited for European and North American markets. In addition, Braeburn, which at 21% of the planted area still comprises a big proportion of the crop, and is most suited to northern hemisphere European tastes. It is hoped that the new varieties Envy and Tentation will be popular in Asian markets.

North America

North America accounted tor 19% of New Zealand exports during the first eight months of 2010 (January to August), up from 17% the previous year and 12% in 2005. However, the widespread access of US growers to Smart Fresh™ storage technology, which enables apples to be stored almost to the next harvest, is reducing the window of opportunity for New Zealand apples. In the long-term, it is generally thought that the volume shipped to North American markets will dip below the 40,000 to 50,000 tons per annum which has been the norm over the last five years.

Apple Imports

In a slightly surprising turn of events, the monthly apple import trend for MY 2009 suggests that only 1,355 tons were imported, which is approximately 300 tons down on the previous MY even though production was down. However with low returns in some export markets, there is a chance some fruit was held back from shipping and sold domestically.

The MY 2010 forecast for apple imports is 1,500 tons. The United States is the largest supplier of apples to the New Zealand market. For the year ending August 2010, the US supplied nearly 90% of total New Zealand apple imports.

New Zealand Fresh Apple Imports						
Year Ending Series: August, 2005 - 2010						
	Quantity/Tons					
Partner Country	2005	2006	2007	2008	2009	2010

World	344	1235	1102	1572	1654	1353
Australia	0	1	0	0	0	0
Canada	0	0	20	0	0	0
China	0	0	0	0	0	11
India	2	1	0	0	0	0
NZ	0	64	0	0	41	125
UK	0	0	0	0	0	0
US	343	1169	1082	1572	1613	1217

Source: GTA

Pear Exports

Exports are estimated to be down 5,000 tons in MY 2009, which is a 9% drop from the previous year, and rebound to 5,700 tons in MY 2010.

Pear Imports

The monthly import trend suggests pear imports will reach 3,550 tons in MY 2009, which is approximately 100 tons more than last year. This is principally the result of a shorter supply of domestic fruit caused by production problems in the 2009/10 growing season. In MY 2010, pear imports are forecast to be down slightly to around 3,300 tons as domestic production reverts to a more normal level.

The United States is the second largest supplier of pears to the New Zealand market after Australia. Australian Packham pears dominate imports during the first half of the calendar year, largely because of a lower price point. However, as the fourth quarter approaches, the quality of Australian pears falls off and US imports become dominant.

New Zealand Fresh Pear and Quince Imports						
Year Ending Series: August, 2005 - 2010						
	Quantity/Tons					
Partner Country	2005	2006	2007	2008	2009	2010
World	3398	3880	3161	3089	3520	3505
Australia	1701	1493	1200	1145	1530	1677
Canada	0	21	0	0	0	0
China	722	993	507	674	593	300
Korea	51	161	92	143	174	162
NZ	0	0	0	0	0	4
Sth Africa	15	0	0	0	0	22
US	909	1212	1362	1127	1223	1340

Source: GTA

Policy

WTO Apple Case with Australia

A WTO panel published its decision regarding New Zealand apple access to the Australian market at the end of June 2010. The panel found that Australia's measures are inconsistent with its legal obligations as a WTO member under the WTO SPS agreement. Australia appealed the decision and the case was heard in Geneva in mid October 2010. The appeal panel's decision is expected to be made public by the end of November 2010.

It remains to be seen how the post appeal process will unfold. Industry contacts report that, in their view, it is highly unlikely the panel will reverse its original decision but that there may be some softening of the recommendations.

Industry contacts consider it unlikely that exports will eventuate from the 2011 harvest, but are being planned on for the 2012 harvest.

It is generally thought that New Zealand apple exports to Australia could be in excess of 20,000 tons per year. However, to achieve this, New Zealand would likely need to make some infrastructure improvements such as an increase in cold storage capacity.

China

New Zealand has an on-going dialogue with China regarding SPS issues. Most of New Zealand's SPS challenges reportedly relate to China's quarantine pest list. According to NZ, of the 400 pathogens or

pests on the list, there are at least 35 that have an effect on all fruit and vegetable exports (not just New Zealand exports) to China. Several of these, which in New Zealand's view are incorrectly termed "quarantine pests", restrict access for New Zealand apples. While it is known that New Zealand has these pests/pathogens, in New Zealand's view, there is scientific evidence that the same pests/pathogens are also present in China. China maintains there is a movement control system that prevents the spread of these pest/pathogens within the country. However, New Zealand questions whether or not this can be scientifically supported and suggests that, on a scientific basis, there should be no significant impediment to exports of apples from New Zealand.

New Zealand is working toward the completion of a bilateral quarantine arrangement with China in regard to apples. In mid-October 2010, New Zealand hosted Chinese scientists to view and discuss fire blight control systems and discussions here held regarding the apple trade as it relates to China's quarantine pest list. Further technical meetings are scheduled for November 2010. However, it doesn't seem likely that there will be quick resolution of these issues. At the moment, New Zealand apple exports enter China via Hong Kong. However distribution channels from Hong Kong for perishable products such as apples are limited.

New Zealand issued a new import health standard for pears *Pyrus bretschneideri, Pyrus sp. nr. communis* and *Pyrus pyrifolia* being imported from China early in 2010. The new standard opens up the New Zealand market to pears from all regions of China. While it is thought this will boost imports from China into New Zealand, which have trended downward in volume over the last few years, it is still too early to determine the trade impact. New Zealand imports the bulk of pears in the last four months of the calendar year and the following January.

Research and Development

In September 2010, the Foundation for Research, Science and Technology (FoRST) announced an investment of NZ $21.6 million into a seven-year program to develop new apple and pear varieties. FoRST is investing NZ $10.8 million in the program and Prevar Ltd is matching this with a further NZ $10. million. Prevar will partner with Plant & Food Research.

In August 2010, it was announced an international consortium, which includes New Zealand's Plant & Food Research, has sequenced the more than 600 million base pairs of DNA which make up the apple genome. The apple genome project involved scientists from Italy, the US, Belgium, France and New Zealand. Kiwi scientists provided access to a breeding population of 600 golden delicious apple trees.

New Varieties

PremP109

Plant and Food, a crown research institute, has bred and plans to release a new pear cultivar - known for the time being as PremP109. It is a cross between a Chinese and a Japanese pear.

Plant and Food's new deciduous fruit cultivars will be commercialized by a joint venture company called Prevar, which is owned by three shareholders Pipfruit NZ, Apple and Pear Australia, and Plant and Food. Pipfruit NZ and Apple and Pear Australia each have a 45% slice, while Plant and Food holds the remaining 10%.

Prevar is also set to the release a new European pear cultivar.

Honeycrisp

Honeycrisp, an apple cultivar developed for cold climate growing and bred at the University of Minnesota, reportedly sells at up to 4 times the prices achieved for apples in the NZ domestic retail market. It has been successfully trialed in Otago in the South Island and now is being commercially developed.

Smitten

Smitten, an early maturing red bi-color apple, has been bred by Plant and Food and is being commercialized by Prevar.

Rockit

Rockit is a new sweet block red apple bred by Plant and Food, which is being commercialized by Prevar.

Lemonade

Lemonade is another new apple cultivar bred by Plant and Food and being commercialized by Prevar.

Industry Developments

Turners & Growers to Build New Hastings factory

Turners & Growers subsidiary, Enzafoods, announced in October 2010 that it will build a new NZ $4 million factory adjacent to its existing juice concentrate factory in Hastings, Hawkes Bay, North Island. The first stage of the new plant is expected to be completed by February, in time for the 2011 season with the second stage, effectively doubling the size of the factory, to be completed the following year. The new plant will focus on apple puree for baby food, fruit bars, sauces and diced fruit.

Industry News

"Mr Apple" which handles approximately 10% of the national export crop is owned by a finance company that has failed. Mr Apple is now to be sold.