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Kiwifruit Sector Report - 2016

Report Categories:

Kiwifruit

Agricultural Situation

Fresh Fruit

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Report Highlights:

The New Zealand kiwifruit industry can celebrate a bumper year in 2015 with production up 30% at 475,000 metric tons (MT) and exports up 31% at 454,000MT. Export receipts were up a significant 43% at NZ\$1.44bn on an FOB basis. Forecasts for 2016 indicate a period of consolidation with production and exports up 1.5% at 482,400MT and 460,400MT respectively. However over the next four to five years export volumes are likely to resume a faster growth rate, expanding by an estimated additional 20%.

The main driver behind the expected production increases is the new and very successful Gold kiwifruit variety "G3". Plantings and grafting's of the G3 variety began only relatively recently, in 2010, yet now comprise 4,600 hectares, or approximately 35% of the total kiwifruit area in New Zealand.

Production

The kiwifruit sector's recovery from the devastating bacterial disease PSA(v) is well and truly in full swing. Production in 2015 (January 1 to December 31) is estimated at 475,000 metric tons (MT). This is 30% greater than the estimated production in 2014. The estimated harvested area in 2015 was 12,225 hectares (ha), which is 9% greater than the previous year.

The huge increase comes about from:

- A big jump in Gold (variety G3) kiwifruit area harvested, from 2,500 ha in 2014 to an estimated 3,500 ha in 2015.
- A superb growing season in 2014/2015 after which the highest ever nationwide average yield for Green variety was recorded.

Looking out to 2016 the production forecast is for 482,000MT, a small increase of 1.5% over 2015. Beneath the relatively stable total production the mix of varieties will alter significantly:

- Anticipated normal growing conditions should mean Green variety fruit yields will be reduced.
- Production volume of Gold (G3) variety fruit will continue to increase, and is expected to comprise about 36% of total NZ kiwifruit production because of a further increase in harvested area and increased yields per hectare as the Gold G3 plantings start to reach maturity.

Kiwifruit production is expected to increase by about 20 % from 2016 before stabilising in 2018 at a forecast level of 570,000MT per annum.

The main driver behind the production growth is the increased area of Gold G3 kiwifruit, which has replaced the original Gold variety Hort16a. Prior to PSA(v) Hort16a comprised approximately 2,500ha but has now all but disappeared because of its susceptibility to PSA(v). The licenced area of Gold G3 kiwifruit is 4,600 ha which will be in full production between 2018 and 2020. Mature yields are conservatively forecast at 14,000 trays per hectare (a tray is 3.6kgs of 28 to 36 individual fruit, the normal graded and packed unit of measure in the industry). This level of yield per hectare is at least 40% greater than the Green variety and significantly greater than Hort16a.

Growers Getting Better

Since the onset of the vine killing bacterial disease PSA(v) in 2011 nearly every kiwifruit orchard in New Zealand has been infected. New Zealand orchardists have had to up their "management" game to continue being able to grow commercially viable yields with the threat of PSA(v) always present (especially in cooler, damper weather).

Most growers now have a proportion of both Green and Gold varieties in their orchards. Green and the new Gold G3 varieties are resilient to PSA(v) if managed well and grown in warmer, drier sites. The main methods to control PSA(v) are now:

- Copper sprays at low rates preferably before rain and onto any pruning cuts

- Not making any pruning cuts to the vines in wet conditions.
- Vigilance at spotting symptoms and cutting infected sections of vines out promptly.

The side benefit from better management vigilance has been an overall lift in productivity. Over the last 12 years Green kiwifruit yields have risen at an average of four percent per annum with a real step change being achieved over the last two years. Simultaneously with yield increases the Dry Matter (DM) percentages in the fruit have trended upwards. Higher DM levels increase the taste of the fruit.

Production, Supply & Demand Table

Kiwifruit New Zealand (HA, MT)	2014		2015		2016	
	Market Year Begin: Jan 2014		Market Year Begin: Jan 2015		Market Year Begin: Jan 2016	
	New Post	% Change from last year	New Post	% Change from last year	New Post	% Change from last year
Total Area Planted	12,725	-6.2%	13,350	4.9%	13,350	0.0%
Area Harvested	11,235	-2.3%	12,225	8.8%	12,725	4.1%
Total Production	366,000	7.6%	475,310	29.9%	482,400	1.5%
Imports	816	-15.1%	1,000	22.5%	950	-5.0%
Total Supply	366,816	7.6%	476,310	29.8%	483,350	1.5%
Exports	345,681	8.5%	454,000	31.3%	460,350	1.4%
Domestic Consumption	21,135	-5.3%	22,310	5.6%	23,000	3.1%
Total Distribution	366,816	7.6%	476,310	29.8%	483,350	1.5%
TS=TD	0		0		0	
Production Yield T/ha	32.6	10.2%	38.9	19.3%	37.9	-2.5%

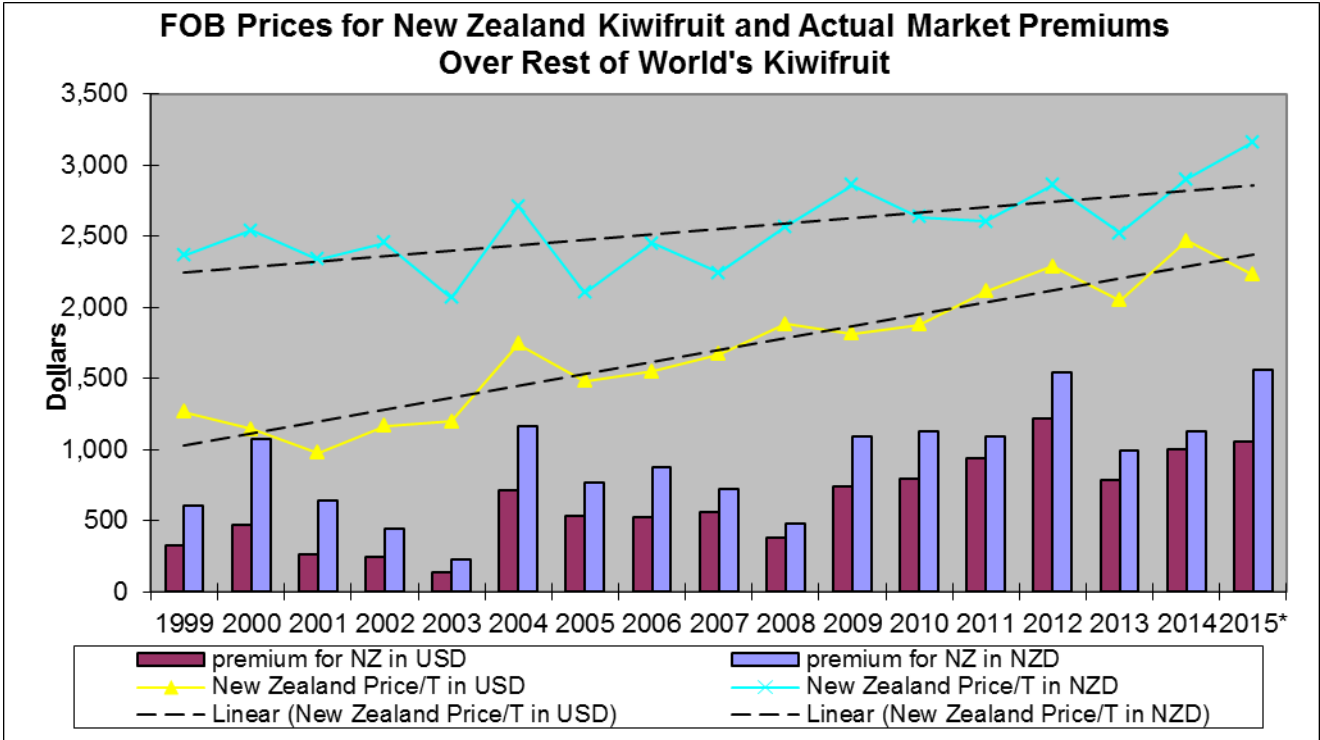
Source: Post; Note this information is Post estimates not USDA official data

New Varieties

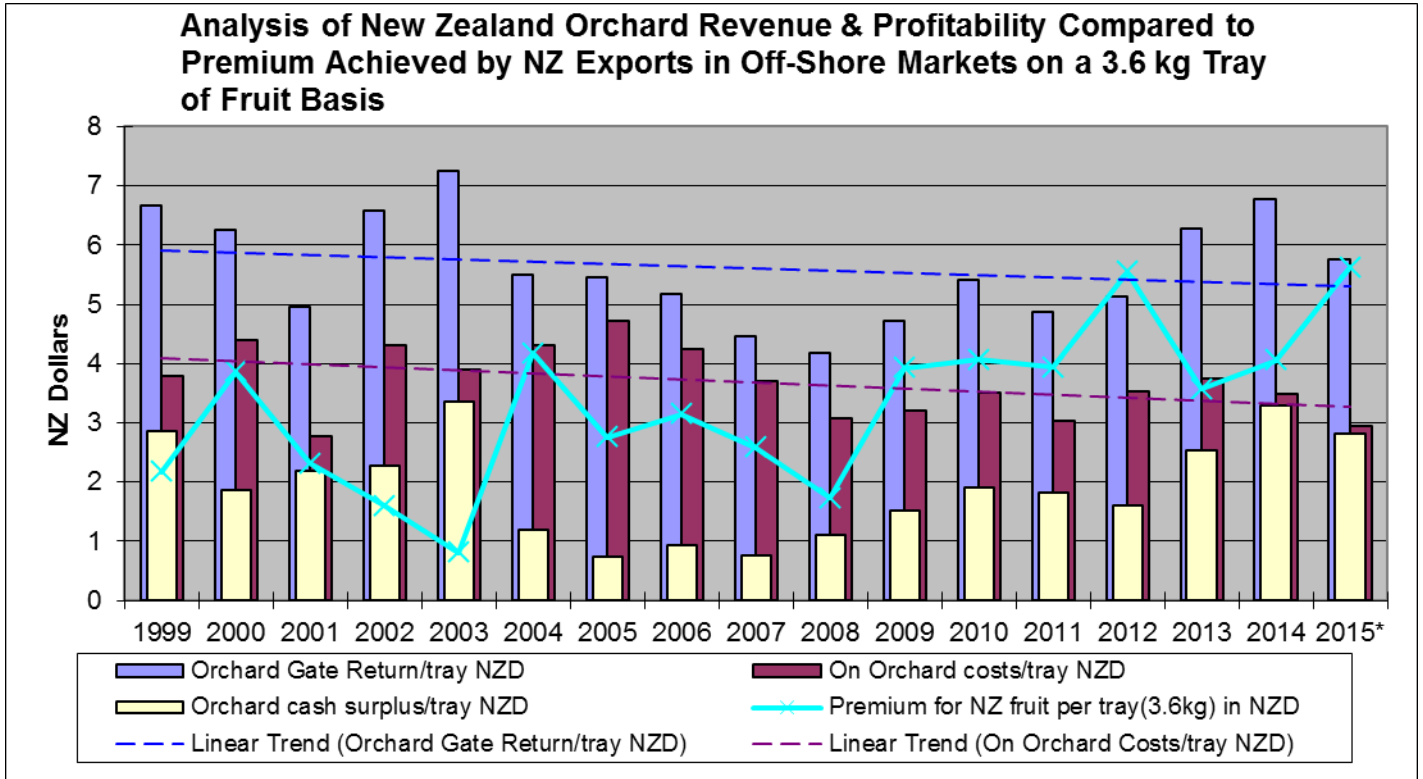
Zespri (the grower owned company with statutory rights to export fruit to all countries except Australia), in conjunction with Plant and Food Crown Research Institute and the NZ Government, conduct ongoing plant breeding research on a 33ha site in the main kiwifruit growing area Te Puke in the Bay of Plenty. As part of this research, approximately 100,000 different seedlings are assessed at any given time.

A new Green-type variety with better taste and higher yields, along with a new red fleshed variety, are in pre-commercial trials at present.

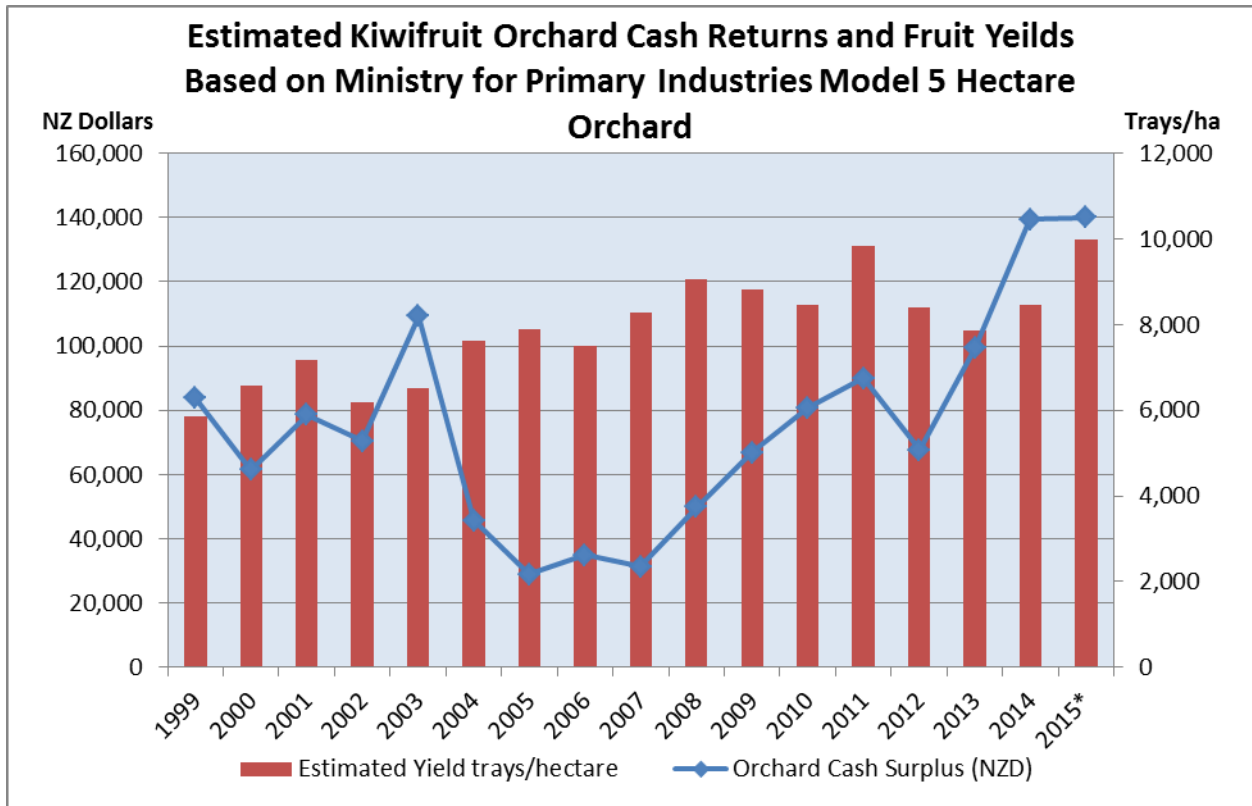
Kiwifruit Export Returns and Grower Profitability



Source: GTA, MPI, Zespri, Post Estimates; Note: 2015* means the full year has been estimated from YTD data



Source: GTA, MPI, Zespri, Post Estimates; Note: 2015* means the full year has been estimated from YTD data



Source:

MPI, Zespri, Post Estimates; Note: 2015* means the full year has been estimated from YTD data

Exports, Marketing and Trade Policy

Total New Zealand kiwifruit exports are estimated at 454,000MT in 2015, representing an impressive 31% increase over exports in 2014. The size of this increase is testament to how quickly growers have been able to get the new Gold G3 variety up to mature yields and the superb growing season in 2014/15, which maximised yields in the orchards.

Looking forward to 2016 the forecast is for a consolidation year with exports increasing by only 1.4% to 460,350 MT. However the variety mix exported will change considerably with Gold kiwifruit volumes up by an estimated 30% and comprising 36% of the total volume of kiwifruit exported from New Zealand.

In four to five years when the present growth cycle of production matures, exports are expected to be on the order of 540,000 to 550,000MT per annum, or 18-20% above the current level of exports.

New Zealand Kiwifruit Export Statistics to the World by Variety

Year To Date: January - November

Description	2013			2014			2015		
	NZD	Quantity (MT)	Price/T	NZD	Quantity (MT)	Price/T	NZD	Quantity (MT)	Price/T
Kiwifruit, Green Fleshed, Fresh	608,242,350	275,521	\$2,208	687,855,054	279,025	\$2,465	918,845,689	329,433	\$2,789
Kiwifruit, Gold Fleshed, Fresh	190,147,577	41,159	\$4,620	301,734,603	62,894	\$4,798	500,019,458	119,324	\$4,190
Kiwifruit, Other Than Gold Or Green	5,016,263	1,804	\$2,781	11,898,147	3,544	\$3,357	17,445,851	5,152	\$3,386
All Kiwi Fruit Fresh	803,406,190	318,484	\$2,523	1,001,487,804	345,463	\$2,899	1,436,310,998	453,909	\$3,164

Source: GTA

New Zealand Kiwifruit Export Statistics

Year Ending Series: December, 2008 - 2014

Partner Country	Quantity in Metric Tons						
	2008	2009	2010	2011	2012	2013	2014
EU Destinations Unspecified	127,530	115,576	110,185	115,939	104,851	93,943	93,857
Japan	58,916	57,903	61,346	63,700	60,297	59,426	64,579
Spain	48,723	43,015	47,530	44,262	39,125	37,687	33,659
China	16,110	21,664	25,320	32,569	34,078	27,672	39,583
Taiwan	18,619	19,652	20,538	25,893	28,566	21,310	22,924
Korea South	26,542	22,070	22,737	25,743	20,274	13,295	15,871
Australia	14,846	14,798	15,031	17,501	16,601	14,523	15,270
Italy	17,523	15,671	16,912	17,015	15,489	12,371	14,267
United States	21,392	21,720	17,986	20,549	11,624	7,275	8,863
Hong Kong	6,077	7,522	6,934	8,902	7,796	6,432	6,507
Rest of the World	20,489	21,474	22,632	28,750	26,090	24,721	30,302
Total for all Destinations	376,767	361,066	367,152	400,817	364,790	318,651	345,681

Source: GTA

New Zealand Kiwifruit Export Statistics in US Dollars

Year To Date: January - November

Partner Country	2013			2014			2015		
	USD	Quantity (MT)	Price /T	USD	Quantity (MT)	Price /T	USD	Quantity (MT)	Price /T
Japan	183,630,158	59,426	\$3,090	204,881,390	64,579	\$3,173	208,704,978	76,874	\$2,715
China	66,529,724	27,672	\$2,404	130,889,522	39,583	\$3,307	198,051,001	65,964	\$3,002
EU Destinations	145,035,408	93,943	\$1,544	178,966,795	93,857	\$1,907	184,777,565	120,482	\$1,534
Taiwan	46,166,254	21,310	\$2,166	65,808,066	22,924	\$2,871	98,800,748	33,682	\$2,933
Spain	57,331,290	37,687	\$1,521	61,611,492	33,659	\$1,830	70,960,824	47,332	\$1,499
Korea South	29,198,552	13,295	\$2,196	40,330,076	15,871	\$2,541	38,363,638	17,203	\$2,230
United States	13,907,880	7,275	\$1,912	20,742,541	8,863	\$2,340	31,731,735	14,405	\$2,203
Australia	25,854,965	14,381	\$1,798	30,381,123	15,067	\$2,016	28,282,968	15,334	\$1,844
Italy	18,423,491	12,371	\$1,489	26,017,530	14,267	\$1,824	25,750,562	17,358	\$1,483
Hong Kong	16,640,278	6,432	\$2,587	20,951,726	6,507	\$3,220	22,542,549	7,209	\$3,127
Malaysia	8,664,170	3,930	\$2,205	11,330,310	4,441	\$2,551	12,562,619	4,781	\$2,628
Singapore	5,749,643	2,450	\$2,347	9,235,369	3,239	\$2,851	10,275,900	3,695	\$2,781
India	2,864,173	1,559	\$1,837	6,083,676	2,715	\$2,241	8,727,714	4,068	\$2,145
Indonesia	7,220,738	2,843	\$2,540	7,075,557	2,608	\$2,713	7,512,702	2,722	\$2,760
Canada	2,567,717	1,547	\$1,660	4,286,444	2,170	\$1,975	7,256,947	3,608	\$2,011
Thailand	3,558,736	1,843	\$1,931	4,010,319	1,668	\$2,404	5,527,930	2,214	\$2,497
UAE	3,079,436	1,605	\$1,919	3,919,191	1,745	\$2,246	5,404,347	2,266	\$2,385
Vietnam	1,498,558	683	\$2,194	2,972,841	1,062	\$2,799	5,016,349	1,776	\$2,825
Brazil	1,713,655	1,198	\$1,430	3,815,863	1,803	\$2,116	5,010,498	2,207	\$2,270
Mexico	1,421,238	814	\$1,746	3,512,600	1,692	\$2,076	4,476,600	1,932	\$2,317

Saudi Arabia	0	0	0	2,182,054	870	\$2,508	3,751,757	1,472	\$2,549
South Africa	2,354,886	1,297	\$1,816	2,931,931	1,397	\$2,099	2,896,706	1,573	\$1,842
Rest of the World	9,333,269	4,923	\$1,896	10,595,670	4,876	\$2,173	12,131,656	5,752	\$2,109
Total for all Destinations	652,744,219	318,484	\$2,050	852,532,086	345,463	\$2,468	998,518,293	453,909	\$2,200

Source: GTA

A quick study of the trade tables above shows that while the northern E.U. takes the biggest volume it does so at a significantly lower FOB price per ton (44% less) than Japan. However not only is there a higher pricing structure for all kiwifruit in Japan, Gold kiwifruit comprise 36% of all kiwifruit sold in Japan but only 17% in Northern E.U. Zespri Gold sells at a premium to virtually all other kiwifruit. China is similar with shipments of Gold kiwifruit making up 37% of the total.

A core strategy for Zespri in order to maintain current price/demand relationships in its more mature markets with the increased supply coming on over the next four years is to invest strongly in developing markets. For Zespri these are:

- China, it is thought that at least another 20-25,000MT of fruit could be absorbed by this market at current pricing.
- Latin America, especially Brazil.
- Turkey, though there are high tariffs to contend with.
- Middle-East, however demand may be stifled in the short term in the current low oil price environment.
- Mexico, the Trans Pacific Partnership Trade Agreement is scheduled to reduce tariffs on kiwifruit in all member countries to zero at entry into force; Mexico is part of the TPP. Zespri ran a promotion during 2015 with McDonalds in Mexico distributing kiwifruit with the meals.
- South Korea, the new FTA with NZ came in to force in December 2015 which will reduce the tariff on kiwifruit from 45% to zero in five annual steps from 2015 to 2020.

Another core strategy for Zespri is the development of northern hemisphere grown supplies of Zespri branded kiwifruit grown to Zespri's standards. By maintaining shelf space with Zespri branded fruit year round in the main markets the goal is for the Zespri brand to be kept top of mind when consumers think about kiwifruit.

During 2014 13.2 million trays or 47,500 MT was grown for Zespri in Italy mainly and some in South Korea. Zespri is now planning on licensing growers in California and in China to also grow chiefly Gold kiwifruit. By 2020 Zespri hopes to source 31 million trays (111,600MT) from the northern hemisphere each year.