

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **New Zealand**

### **Fresh Deciduous Fruit Semi-annual**

#### **Fresh Apple and Pear Production and Exporting May 2011**

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**Report Highlights:**

The planted area estimate for MY2010 has been revised downward by 89 hectares (ha) to 9,061 ha. Planted area is forecast to shrink by another 108 ha to 8,943 ha in MY 2011. The MY2010 production estimate has been revised upward by 1% to 476,000 tons but will likely fall to 461,650 tons in MY 2011.

## **Executive Summary**

The planted area estimate for MY2010 (October 2010 to September 2011) has been revised downward by 89 hectares (ha) to 9,061 ha. Planted area is forecast to shrink by another 108 ha (1.3%) to 8,943 ha in MY 2011.

The MY2010 production estimate has been revised upward by 1% to 476,000 tons. A slightly lower crop, due to the biennial nature of apple production, combined with a slight reduction in planted area suggest that production in MY 2011 will fall to 461,650 tons, a drop of 14,000 tons or 2.9%.

Total apple exports reached 258,982 tons in MY 2009, up 1,982 tons from the previous estimate. Post has revised the MY 2010 export estimate upward by 1.6% to 292,000 tons.

The United States was the largest single-country export destination in MY2009 (42,108 tons), second only to continental Europe on a regional basis. North America has long been a significant region for NZ exporters but has assumed even more importance over the last five years as exporters have diversified away from reliance on the European market.

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 but lost the case. The import risk assessment is expected to be completed and the technical work plan adopted by August 2011. All protocols are expected to be in place by September, which implies that some fruit from the 2011 harvest could be exported to Australia before the end of the calendar year. Industry contacts suggest that New Zealand apple exports to Australia could be in excess of 20,000 tons per year.

## **PSD Tables**

Apples, Fresh New Zealand (HA)/(MT)	2009 2009/2010			2010 2010/2011			2011 2011/2012		
	Market Year Begin: Oct 2009			Market Year Begin: Oct 2010			Market Year Begin: Oct 2011		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Planted	8,950	8,950	8,897	9,150	9,150	9,061			8,943
Area Harvested	8,630	8,630	8,630	9,045	9,045	8,850			8,750
Bearing Trees	0	0	0	0	0	0			
Non-Bearing Trees	0	0	0	0	0	0			
Total Trees	0	0	0	0	0	0			0
Commercial Production	404,645	404,645	406,633	455,000	455,000	460,000			445,650
Non-Comm. Production	16,000	16,000	16,000	16,000	16,000	16,000			16,000
Production	420,645	420,645	422,633	471,000	471,000	476,000			461,650
Imports	1,355	1,355	1,349	1,500	1,500	1,000			1,350
Total Supply	422,000	422,000	423,982	472,500	472,500	477,000			463,000
Fresh Dom. Consumption	60,000	60,000	60,000	60,000	60,000	60,000			60,000
Exports	257,000	257,000	258,982	287,500	287,500	292,000			288,000
For Processing	105,000	105,000	105,000	125,000	125,000	125,000			115,000
Withdrawal From Market	0	0		0	0				
Total Distribution	422,000	422,000	423,982	472,500	472,500	477,000			463,000
TS=TD			0			0		0	0

Pears, Fresh New Zealand (Ha/MT)	2009 2009/2010			2010 2010/2011			2011 2011/2012		
	Market Year Begin: Oct 2009			Market Year Begin: Oct 2010			Market Year Begin: Oct 2011		
	Official Data	Post Estimate	New Post Data	Official Data	Post Estimate	New Post Data	Official Data	Post Estimate	New Post Data
Area Planted	431	431	412	431	431	431			473
Area Harvested	431	431	412	431	431	431			473
Bearing Trees	0	0		0	0	0			0
Non-Bearing Trees	0	0		0	0	0			0
Total Trees	0	0	0	0	0	0			0
Commercial Production	14,000	14,000	14,054	15,000	15,000	14,100			14,050
Non-Comm. Production	200	200	200	200	200	200			200
Production	14,200	14,200	14,254	15,200	15,200	14,300			14,250
Imports	3,500	3,550	3,523	3,300	3,300	3,500			3,550
Total Supply	17,700	17,750	17,777	18,500	18,500	17,800			17,800

Fresh Dom. Consumption	9,600	10,300	10,300	10,300	10,300	10,300			10,300
Exports	5,600	5,000	5,027	5,700	5,700	5,000			5,000
For Processing	2,500	2,450	2,450	2,500	2,500	2,500			2,500
Withdrawal From Market	0	0	0	0	0	0			
Total Distribution	17,700	17,750	17,777	18,500	18,500	17,800			17,800
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>

## Production

### Planted Area

Based on the latest Pipfruit NZ statistics, the planted area estimate for MY2010 (October 2010 to September 2011) has been revised downward by 89 hectares (ha) to 9,061 ha. Planted area is forecast to shrink by another 108 ha (1.3%) to 8,943 ha in MY 2011. While nurseries are reporting that there are very few trees on order for next year, at least one sizable development is going ahead ahead. The Wakatu Corporation, in partnership with ENZA (a Turners & Growers subsidiary), has planted Envy apples on 37 ha of land near Nelson. It is the single largest planting of Envy apples in New Zealand.

### Apple Production

The MY2010 production estimate has been revised upward by 1% to 476,000 tons.

The domestic New Zealand industry had initially expected a higher production level (on the order of 503,000 tons). However, since the harvest has gotten underway, production expectations have fallen and industry estimates have been revised downward. Preliminary reports indicate that the Royal Gala crop fruit size is smaller.

A slightly lower crop, due to the biennial nature of apple production, combined with a slight reduction in planted area suggest that production in MY 2011 will fall to 461,650 tons, a drop of 14,000 tons or 2.9%.

### Pear Production

The forecast for MY2010 production has been revised downward by 6% to 14,300 tons. MY 2011 production is forecast to remain at roughly this level (14,250 tons).

### Grower Returns

Prices received by NZ growers in MY 2010 are reportedly similar to those received last year. However, the strong New Zealand dollar is expected to depress grower returns. While growers are hoping NZ dollar returns will be similar or slightly better than last year, the strong NZ dollar combined with a larger crop, suggests this might be difficult to achieve. Breakeven costs in MY 2010 are likely be somewhere between NZ \$20 and NZ\$21.50/TCE compared to approximately NZ \$21.75/TCE in MY2009 and NZ \$20.15/TCE in MY2008. The weighted average price for conventionally grown apples in MY 2009 was NZ \$22.22/tray carton equivalent (FAS basis), which is 8% higher than the MY 2008 average of NZ \$20.52/TCE.

Organic apples averaged NZ \$27.35/TCE FAS in MY 2009. This was a substantial improvement (29%) over the NZ\$21.15/TCE FAS received the previous year, which was reportedly disastrous for growers.

## **Consumption**

For both MY2010 and in MY2011, apple consumption is expected to remain constant at 60,000 tons. Pear consumption is forecast at 10,300 tons.

## **Trade**

### **Apple Exports**

Total apple exports reached 258,982 tons in MY 2009, up 1,982 tons from the previous estimate. Post has revised the MY 2010 export estimate upward by 1.6% to 292,000 tons.

The MY 2010 export forecast is not as high as it otherwise would have been because of a significant upturn in prices of apples for processing. Many growers, who were negatively impacted by poor export prices in MY 2009, committed total production blocks to processing to take advantage of high processing prices. Prices for apples for processing were reportedly 25-75% better than last year.

Exports are forecast to fall to 288,000 tons in MY 2011 due to an expected decline in production and a smaller percentage of apples going to processing.

### **North America**

The United States was the largest single-country export destination in MY2009 (42,108 tons), second only to continental Europe on a regional basis. North America has long been a significant region for NZ exporters but has assumed even more importance over the last five years as exporters have diversified away from reliance on the European market.

### **Europe**

The European market accounted for approximately 50% of NZ apple exports in MY 2009, down from 71% in MY 2004.

### **Asia**

Asia is now a top destination for NZ apple exports. China alone accounted for nearly 23% of total exports in MY 2009. Asia's proximity to New Zealand and growing middle class make it an attractive destination for New Zealand exporters. Returns from Asian markets for New Zealand growers have traditionally been good, particularly at the start and the end of the season. However, grower returns this year will be impacted by the strong NZ dollar and the large Southern Hemisphere Royal Gala crop.

### **Braeburn Exporters Group**

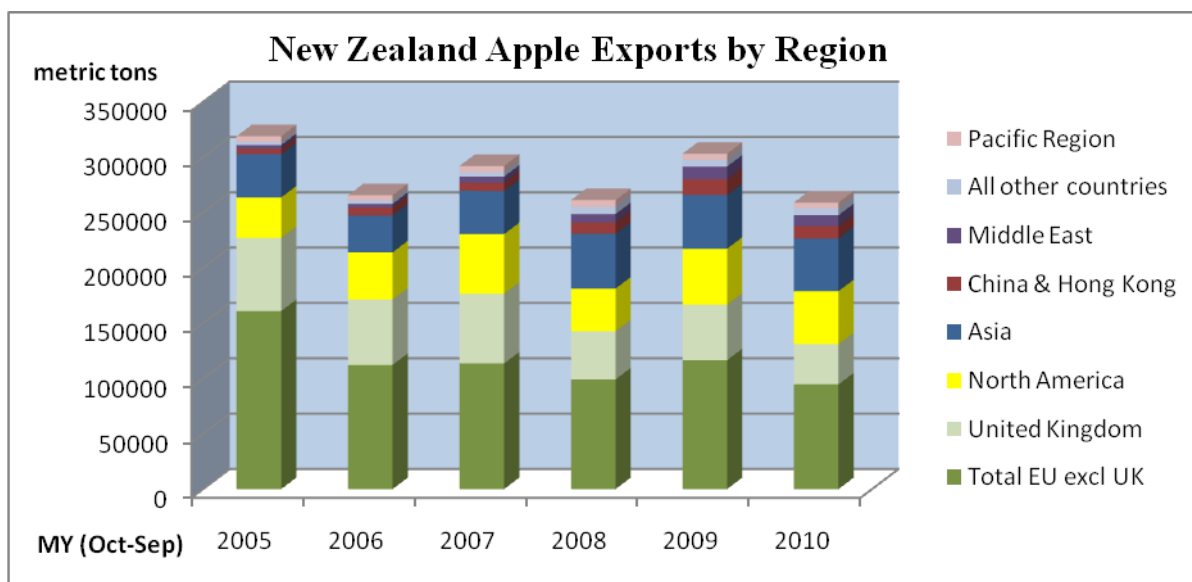
After the extremely disappointing results in 2010 when growers received prices averaging less than NZ \$18.25 per ton (ranging between NZ \$14 and \$22.50/TCE), Pipfruit NZ facilitated the creation of the Braeburn Exporters Group. Reportedly 90% of Braeburn exporters, representing approximately 95% of the export volume, have signed up. The members have signed a code of conduct to:

- Send only Class I fruit;
- Share information on export volumes; and,
- Contribute to a promotion campaign in Europe

In return, exporters will be able to use the 100% Pure New Zealand brand and receive marketing assistance.

<b>New Zealand Export Destination Statistics For Fresh Apples</b>								
<b>Year Ending Series: September, 2005 - 2010</b>							<b>% change 2010 over 2009</b>	<b>Share of Exports in 2010</b>
<b>Partner Country</b>	<b>Quantity (metric tons)</b>							
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>		
Total EU excl UK	160886	112240	113494	99134	116452	94619	-18.7%	36.5%
United States	32455	37578	47669	32958	45678	42108	-7.8%	16.3%
United Kingdom	66059	59181	63076	43526	50286	36297	-27.8%	14.0%
Taiwan	25762	15204	18283	20599	16450	15634	-5.0%	6.0%
Thailand	840	2219	3160	7435	9085	12860	41.6%	5.0%
Hong Kong	4769	5583	6341	8160	13454	10935	-18.7%	4.2%
United Arab Emirates	2577	2727	4591	6166	8962	7148	-20.2%	2.8%
India	2522	3861	3675	4966	5331	6058	13.6%	2.3%
Canada	4135	4951	6177	5613	4770	5810	21.8%	2.2%
Singapore	3637	4680	4824	5736	5894	4517	-23.4%	1.7%
All Other Destinations	15213	17317	20730	26861	26654	22996	-13.7%	8.9%
<b>World Total</b>	<b>318855</b>	<b>265541</b>	<b>292020</b>	<b>261154</b>	<b>303016</b>	<b>258982</b>	<b>-14.5%</b>	<b>100.0%</b>

Source: Global Trade Atlas



Source: Global Trade Atlas

## Apple Imports

With plentiful supplies of domestically grown fruit available in MY2010, imports are forecast to dip down to 1,000 tons but recover back to 1,350 tons in MY2011.

New Zealand Imports of Fresh Apples							
Year Ending Series: September, 2005 – 2010							
Partner Country	Unit	Quantity					
		2005	2006	2007	2008	2009	2010
United States	T	343	1169	1082	1572	1618	1213
New Zealand	T	0	64	0	0	41	125
China	T	0	0	0	0	0	11
Australia	T	0	1	0	0	0	0
Canada	T	0	0	20	0	0	0
India	T	2	1	0	0	0	0
United Kingdom	T	0	0	0	0	0	0
World Total	T	344	1235	1102	1572	1658	1349

Source: Global Trade Atlas

## Pear Exports

Pear exports are forecast to remain at 5,000 tons through MY2011.

## Pear Imports

Imports are forecast at 3,500 and 3,550 tons in MY2010 and MY2011, respectively.

New Zealand Imports of Fresh Pears							
Year Ending Series: September, 2005 – 2010							
Partner Country	Unit	Quantity					
		2005	2006	2007	2008	2009	2010
Australia	T	1747	1532	950	1452	1458	1564
United States	T	889	1230	1388	1084	1223	1340
China	T	722	993	551	629	593	425
Korea South	T	51	161	92	149	168	167
South Africa	T	15	0	0	0	0	22
New Zealand	T	0	0	0	0	0	4
Canada	T	0	21	0	0	0	0
World Total	T	3424	3937	2980	3314	3442	3523

Source: Global Trade Atlas



## 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 disallowed Australia's appeal. A time table has been agreed to with August 17, 2011 being the deadline for the Import Risk Assessment (IRA) to be completed and the Technical Work Plan ready to be adopted.

According to industry contacts, the draft IRA should be circulated the first week in May 2011. All protocols are expected to be in place by September, which implies that some fruit from the 2011 harvest could be exported to Australia before the end of the calendar year.

Industry contacts suggest that New Zealand apple exports to Australia could be in excess of 20,000 tons per year. In the past, it was reported that infrastructure improvements such as an increase in cold storage capacity may be necessary to achieve this level of sale but some current commentary suggests that the current infrastructure could handle the storage requirements. Some in the industry people that Jazz and/or the Pacific series apples may do well in Australia and could boost consumption of apples rather than just displace domestic apples.

### Free Trade Agreements

The following agreements are in force:

- [New Zealand-Hong Kong, China Closer Economic Partnership](#) (NZ-HK CEP entered into force on 1 January 2011)
- [New Zealand-Malaysia Free Trade Agreement](#) (MNZFTA entered into force on 1 August 2010)
- [ASEAN-Australia-New Zealand Free Trade Agreement](#) (AANZFTA) - 2010
- [New Zealand-China Free Trade Agreement](#) (NZ-China FTA) - 2008
- [Trans-Pacific Strategic Economic Partnership](#) (P4) - 2005
- [New Zealand-Thailand Closer Economic Partnership](#) (NZTCEP) - 2005
- [New Zealand-Singapore Closer Economic Partnership](#) (NZSCEP) - 2001
- [Australia-New Zealand Closer Economic Relationship](#) (CER) - 1983

In addition, the New Zealand Government is currently negotiating the following FTAs:

- [New Zealand-Gulf Cooperation Council Free Trade Agreement](#) (NZ-GCC FTA negotiations have been concluded but not yet signed)
- Expansion of the [Trans-Pacific Strategic Economic Partnership](#) (TPP)
- [New Zealand-Korea Free Trade Agreement](#) (NZ-Korea FTA)

- [New Zealand-India Free Trade Agreement](#) (NZ-India FTA)
- [New Zealand-Russia-Belarus-Kazakhstan Free Trade Agreement](#) (NZ-RBK)

While exporters report that FTAs do not drive business decisions, they do provide a framework to work out trade-related issues, especially SPS and non-tariff barriers, and, in some cases, significant market access advantages.

## Industry Developments

### New Varieties

#### Rockit

Rockit is a new sweet, red apple bred by Plant and Food, a crown research institute, and commercialized by Prevar. The license for the cultivar has been transferred to Havelock North Fruit Company Ltd, which is planting and multiplying the cultivar and developing a brand image. This cultivar is unusual in that it is small, only 1.5 times the size of a golf ball. The company aims to position the apple as a snack food and markets them in clear bio-degradable tubes of 3 or 5 apples.

#### Koru

Koru is a red apple with an acid initial taste but a sweet aftertaste. The original plant was spotted by an enterprising orchardist in a flower garden near Nelson. DNA tests show it to be a Braeburn Fuji cross. It is being promoted as an apple that has great eating qualities along with good yields, packout rates and storage qualities.

### Industry News

#### Mr Apple/Scales Group

“Mr Apple”, an apple producer and exporter that handles approximately 10% of the national export crop, is part of a group that was 80% owned by a finance company that failed in 2010. The group’s assets have been sold by the receiver to Direct Capital, a local investment firm. The New Zealand Government’s Superannuation Fund and the Accident Compensation Corporation have been named as co-investors. This means Mr Apple is likely to be kept intact as the Government investors will be long term holders of the shares.

#### Turners & Growers

Guinness Peat Group owns 66% of T&G, which in turn owns ENZA. ENZA exports around 20-25% of New Zealand’s total apple exports and is the largest apple juice processor. GPG is reportedly planning to sell the T&G business.

## Post harvest and Research Developments

#### SmartFresh

Smartfresh is a post harvest/coolstorage treatment for apples that inhibits ripening and reduces cool storage energy costs by minimizing the need to chill stored apples. The chemical blocks ethylene produced by apples from reaching the plant cell receptors in the apple. (Ethylene regulates ripening in apples.) While good success has been achieved with several apple cultivars, use with Braeburn has reportedly been disappointing as it exacerbated Braeburn Browning Disorder and diffuse core browning. The cost of Smartfresh is \$1.40/TCE, which unless storage for a premium market can be achieved, it not

profitable under the present economic climate. Despite this, the use of Smartfresh has reportedly grown significantly in 2011.

### **Biennial Bearing Research**

A group of French and New Zealand researchers using the apple genome, which was completed in mid 2010, are using the genome to help uncover the secrets behind biennial bearing.

### **Dry Matter Content (DMC)**

The effect of increasing DMC on taste and quality of kiwifruit is well known and growers have been rewarded with higher prices for increased DMC fruit. Work by Plant & Food, AgFirst (a consultancy group) and Heartland Fruit has shown a positive relationship between DMC and consumer preference in apples. Nearly every aspect of consumer preference, such as higher blush color, higher starch concentration, and higher brix is positively related with DMC.