USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Voluntary _ Public

Date: 9/2/2014

GAIN Report Number: NZ1412

New Zealand

Post: Wellington

New Zealand Kiwifruit Sector Report - 2014

Report Categories:

Kiwifruit

Agricultural Situation

Fresh Fruit

Approved By:

Hugh Maginnis

Prepared By:

David Lee-Jones

Report Highlights:

The specter of the bacterial disease PSA(v) which has loomed over the Kiwifruit sector since 2011 is diminishing. Although now 2,496 orchards harbor the disease, which comprise 81% of the total Kiwifruit area production is on the increase again. Exports are estimated to reach 345,000 metric tons in calendar year (CY) 2014, eight percent above CY2013. From CY2015 on to CY2018 exports are set to boom up to somewhere between 414,000MT and 475,000MT thanks to the new Gold variety “G3” which will occupy 35% of the total orchard area in the near future.

Production 2014

Kiwifruit production is now on a fast recovery trajectory, three years on from the onset of the PSA(v) vine disease epidemic beginning in spring 2011. Production is estimated at 365,000 metric tons (MT) for the 2014 calendar year (CY) which is 7.5% greater than CY2013. The CY2014 level is still 14% less than the estimated record 425,000 MT produced from the 2011 harvest prior to PSA(v) striking.

Production, Supply & Demand Table

Kiwifruit New Zealand	2012		2013		2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014	
(HA, MT)	New Post	% Change from last year	New Post	% Change from last year	New Post	% Change from last year
Total Area Planted	13,000	-4.2%	13,565	4.3%	13,728	1.2%
Area Harvested	12,000	-8.0%	11,500	-4.2%	11,500	0.0%
Total Production	385,194	-11.3%	340,000	-11.7%	365,000	7.4%
Imports	596	-0.7%	961	61.2%	950	-1.1%
Total Supply	385,790	-11.3%	340,961	-11.6%	365,950	7.3%
Exports	364,790	-12.0%	318,651	-12.6%	345,000	8.3%
Domestic Consumption	21,000	5.0%	22,310	6.2%	20,950	-6.1%
Total Distribution	385,790	-11.3%	340,961	-11.6%	365,950	7.3%
TS=TD	0		0		0	
Production Yield T/ha	32.1	-3.5%	29.6	-7.9%	31.7	7.4%

PSA(v) and its Effect on Planted and Harvested Areas

PSA(v) is the virulent isolate (v) of the bacterial canker disease Pseudomonas Syringae Actinidiae (Psa). The disease causes the vines to exhibit firstly: leaf spotting, and wilting. If the infection progresses to the secondary phase it results in vine die-back and quite often death of the plant. The bacterium has never been identified on the fruit and there no known impacts on animal or human health. There have been no phyto-sanitary measures taken by any major destination market against New Zealand Kiwifruit.

PSA(v) has now spread to 2,496 orchards, which comprise 81% of the total kiwifruit area.

PSA(v) has galvanized the industry. A huge effort has gone into combating the disease. Growers now have a broad range of measures they can employ to resist the disease ranging from: increased orchard hygiene; a suite of spray chemicals; through to high cost crop covering. In the longer term plant breeding for resistance will be key as well as gradual relocation of orchards into typography’s, soil types and altitudes where the vines are the least susceptible.

One of the main effects of the disease has been the quick demise of the original Gold variety "Hort16a". It is the most susceptible of the main cultivars being grown commercially. From approximately 2,700 hectares (ha) pre 2011 there was only 560ha harvested in 2014 and it is likely that there will only be 200ha harvested in 2015. This is particularly significant for the sector because gold fruit have returned on average over the last four years 100% greater value per ton at the FOB level than the green fruit. At the grower level this is amplified because orchardists achieve 20-40% higher yields with gold vines over green.

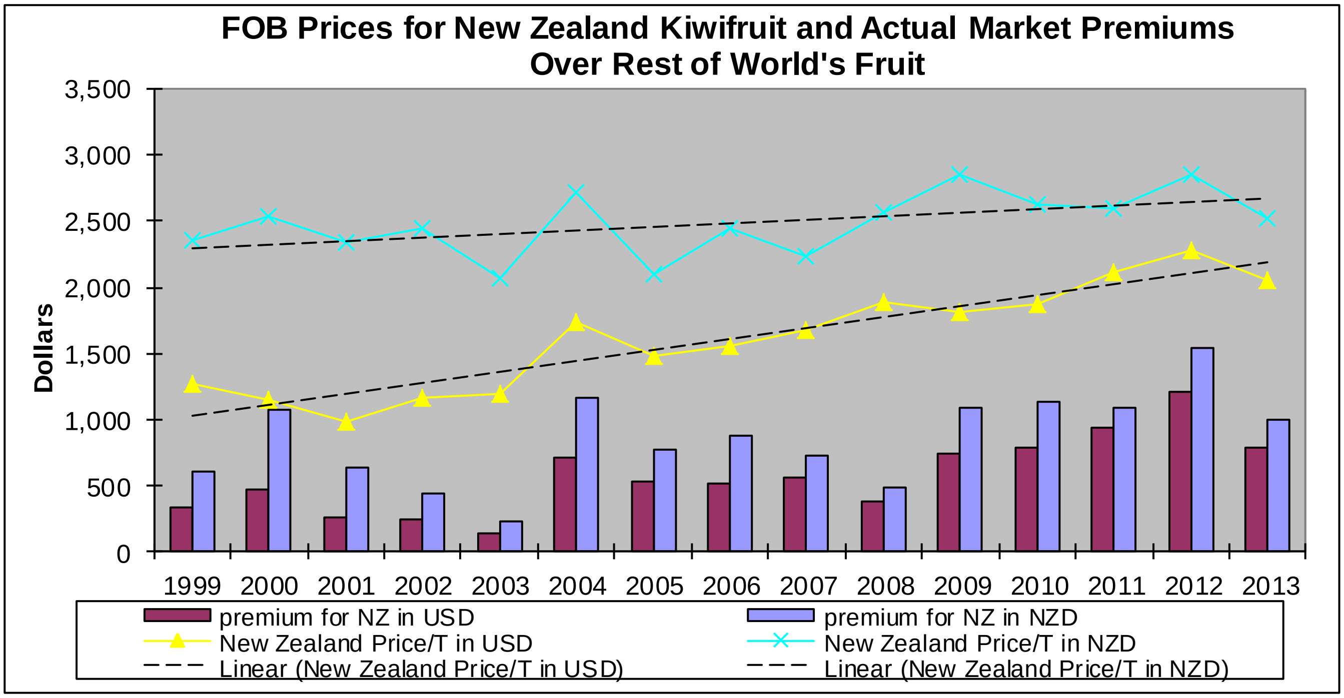
It was fortunate that Zespri had bred a new gold variety "G3", which was not only more resistant to PSA(v) than Hort16a but also carry's greater yields. Licensing of orchardists to swap from Hort16a or Green varieties to G3 has been rapid. From only a few hundred hectares pre 2011 there is now approximately 4,700ha of vines grafted over to G3. This is nearly 34% of the total area (13,874ha) that will be cropped in 2015. Total area in Kiwifruit is likely to plateau out at around 14,000ha over the next two years. The balance of the area cropped in 2015 will consist of: an alternative gold variety "G9" at 154ha; and approximately 8,820ha of two Green varieties.

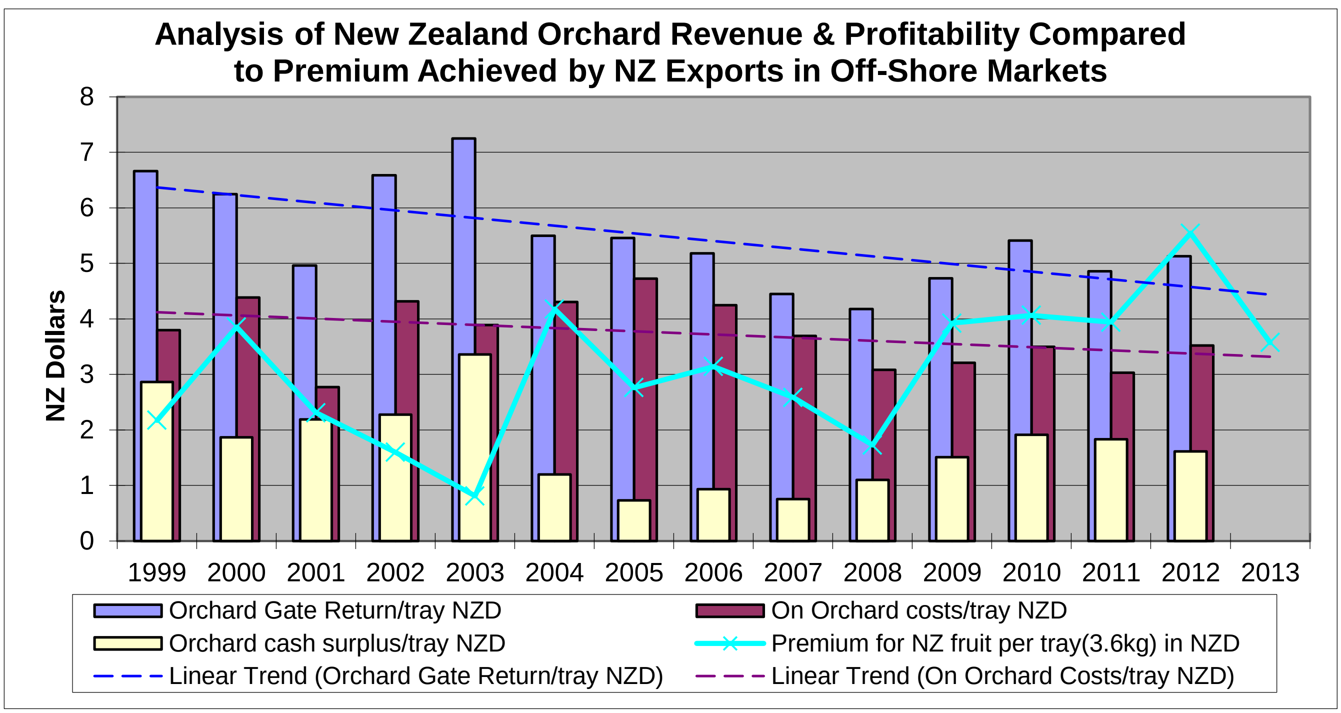
Production Trends 2015 to 2018

This rapid scaling up of the new gold variety G3 will have significant effects on total production and composition of the crop over the next four years. Total production in 2015 is likely to range from similar to 2014 up to 395,000MT. By 2018 production is likely to be in the order of 435,000MT to 495,000MT.

In 2011 the gold tonnage exported peaked at 25% of total exports. By 2018 the gold tonnage exported is likely to be 43-45% of the total. The big gold production increases will probably bring about an equally significant drop in orchard gate returns from NZ$12/tray (3.6kg) for gold over the last two years while it has been in short supply down to NZ$7/tray over the next four years.

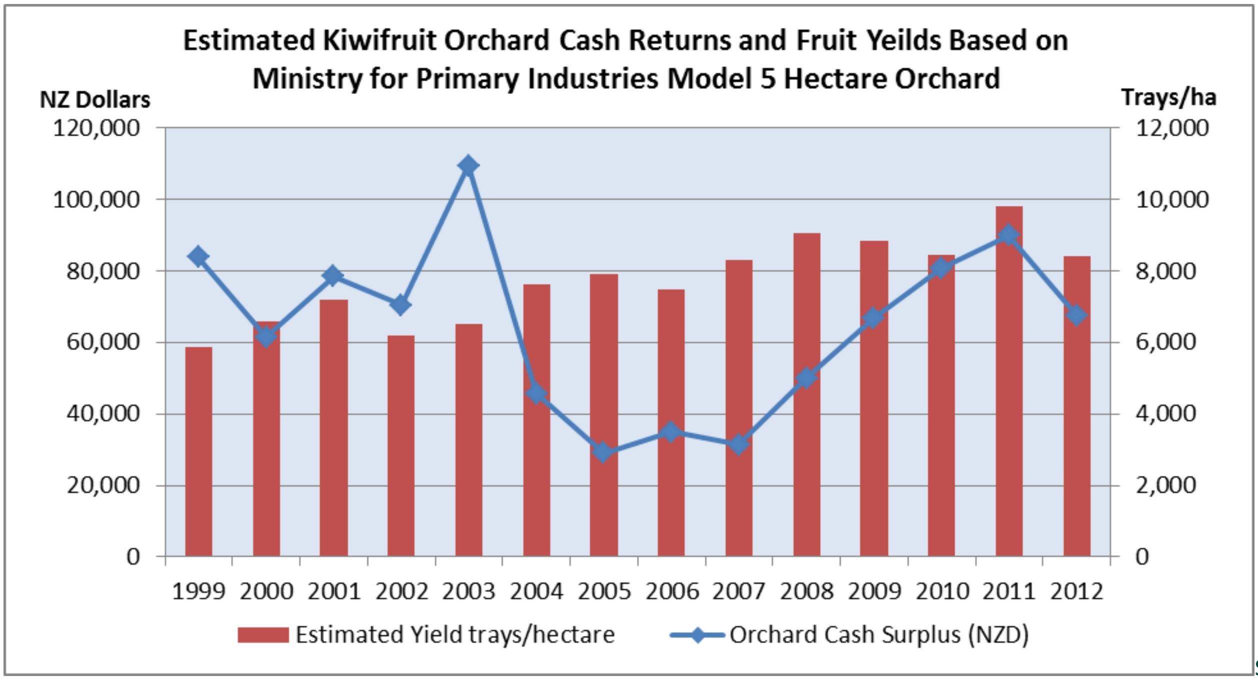
Grower Returns Compared to Export Results





Source: Global Trade Atlas; MPI Kiwifruit Monitoring Model (five ha orchard: one ha Gold, four ha Green)

High quality and taste are core attributes which provide a key competitive advantage for New Zealand kiwifruit that supports the premium price achieved in international markets. Having essentially only one exporter for all markets apart from Australia has allowed the development of one rigorous grading system for the fruit which maintains the high standards needed. On orchard husbandry to maximize fruit dry matter content and control of the maturity at harvest starts the process off to ensure that consistently high quality fruit is exported.



Source: MPI; Note: this model assumes there is one ha of Gold fruit and four ha Green fruit

Exports, Marketing and Trade Policy

Total exports are likely to reach 345,000MT in CY2014 which will be an 8.3% increase over CY2013. However this total is still 14% below the peak volume shipped in 2011. Over the next four years there will be a rapid ramping up of exports in line with the significant production increases forecast. In 2015 exports are likely to be in a range from 345,000MT to 378,000MT and by 2018 likely to lie in a range from 414,000MT to 475,000MT.

This scale of increase will test the statutory sanctioned single desk marketer Zespri as to whether it can satisfactorily market the volumes at profitable prices for the growers. Zespri, a limited liability company, is owned by past and present growers.

Japan is still the most valuable single country destination taking 19% of the fruit in 2013 but returning 28% of the total export receipts for Kiwifruit in CY2013. China received 8.7% of the total fruit shipped in CY2013 and returned 10.25% of the total receipts in CY2013. China is seen as a major growth market. Zespri, after hiccups over the last two years with its importing and distribution partners in China, has re-organised its marketing structure there to develop the market significantly. It would not be surprising to see volumes from New Zealand to China double if not treble over the next four years.

Other countries in Zespri's sights for intensified promotional work and subsequent anticipated increased tonnages are Brazil and Mexico; parts of the Middle East; and South-East Asia. Zespri's annual review, 2014, also mentions India and France as worthy of a new marketing focus.

One of Zespri's long term marketing strategies is to achieve documented health claims for Kiwifruit. It has achieved a health claim, based on ten years of clinical trials, from Food Standards Australia & New Zealand (FSANZ) that Green Kiwifruit can contribute to normal bowel function. In the longer term it hopes to achieve a European health claim.

New Zealand Kiwifruit Export Statistics						
Annual Series: 2008 - 2013						
Destination Country	**Quantity in metric tons**					
	2008	**2009**	**2010**	**2011**	**2012**	**2013**
Northern EU via Belgium/Holland	127530	115576	110185	115939	104851	93943
Japan	58916	57903	61346	63700	60297	59426
Spain	48723	43015	47530	44262	39125	37687
China	16110	21664	25320	32569	34078	27672
Taiwan	18619	19652	20538	25893	28566	21310
Australia	14846	14798	15031	17501	16601	14523
Korea South	26542	22070	22737	25743	20274	13295
Italy	17523	15671	16912	17015	15489	12371
United States	21392	21720	17986	20549	11624	7275
Hong Kong	6077	7522	6934	8902	7796	6432
Rest of the World	20489	21474	22632	28750	26090	24721
Total for all Destinations	**376767**	**361066**	**367152**	**400817**	**364790**	**318651**

Source: GTA

New Zealand Kiwifruit Export Statistics by Variety									
Commodity: 081050, Kiwi Fruit (Chinese Gooseberries (Actinidia Chinensis Planch)), Fresh									
Calendar Year: 2011 - 2013; Value NZ Dollars FOB; Quantity in metric tons; Price is NZD/MT FOB									
Description	**2011**			**2012**			**2013**		
	NZD	**Quantity**	**Price**	**NZD**	**Quantity**	**Price**	**NZD**	**Quantity**	**Price**
Kiwi Fruit (Chinese Gooseberries) Fresh Total	1,043,310,893	400,817	$2,603	1,042,785,783	364,790	$2,859	803,820,729	318,651	$2,523
Green Fleshed Kiwifruit, Fresh	639,365,336	297,885	$2,146	632,362,929	279,582	$2,262	608,656,656	275,688	$2,208
Gold Fleshed Kiwifruit, Fresh	398,052,797	100,665	$3,954	404,467,619	83,837	$4,824	190,147,810	41,159	$4,620
Kiwifruit, Other Than Gold	5,892,760	2,268	$2,598	5,955,235	1,371	$4,344	5,016,263	1,804	$2,781

Or Green, Fresh									

Source: GTA

New Zealand Kiwifruit exports still face stiff to exorbitant tariff barriers in several markets.

Costs of Tariff Barriers Faced By New Zealand Kiwifruit Exports

Country	Tariff rate in 2012	Value of exports (NZ$ FOB) to June 2012	Estimated cost of tariff ($)
Canada	0.00%	$2,501,716	$0
China	6.70%	$94,065,458	$6,302,386
European Union	8.80%	$317,640,919	$25,411,274
French Polynesia	8.00%	$445,537	$35,643
India	30.00%	$2,656,123	$796,837
Indonesia	3.00%	$8,793,591	$263,808
Japan	6.40%	$325,332,771	$20,821,297
Korea, Republic of	45.00%	$77,899,572	$35,054,807
Malaysia	0.00%	$12,239,926	$0
New Caledonia	26.00%	$824,412	$214,347
Philippines	0.00%	$1,314,476	$0
Saudi Arabia	0.00%	$81,796	$0
Taiwan	20.00%	$70,303,326	$14,060,665
Thailand	0.00%	$3,617,426	$0
USA	0.00%	$26,962,155	$0
Vietnam	10.00%	$1,686,371	$168,637
Total	**10.90%**	**$946,365,575**	**$103,129,701**

Source: Horticulture Export Authority

On the positive side the China/NZ Free Trade Agreement (FTA) is advantageous for Kiwifruit. The tariff rate will be zero by 2016. Taiwan is also an important customer with whom NZ has concluded a trade agreement. The Economic Cooperation Agreement with Taiwan which came into force December 1, 2013 will reduce the tariff on Kiwifruit from 20% to zero by 2016.

Obviously it would be beneficial for the tariff going into Japan to be reduced. There are hopes that the Trans Pacific Partnership negotiations will address this. South Korea is of particular concern: firstly the tariff rate is very high; but also Chile, NZ's chief competitor in the market, has achieved an FTA with South Korea. New Zealand is negotiating with South Korea to institute a FTA but progress is painfully slow at present.