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New Zealand

Fresh Deciduous Fruit

Semi-Annual

2004

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Report Highlights:

New Zealand's apple harvest in 2004 reached a record 550,000 tons. Apple exports this season are forecast to increase nearly 20 percent to a record 390,000 tons. Pear production in 2004 is estimated at 13,500 tons, with exports projected to increase to 8,500 tons. Biosecurity Australia recently concluded that the risk of introducing fire blight into Australia through mature New Zealand apples is insufficient to continue restrictive import measures placed on New Zealand fruit.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Wellington [NZ1]
[NZ]

SECTION I. SITUATION AND OUTLOOK

New Zealand's apple harvest in 2004 is estimated at a record 550,000 tons, 11 percent above a year earlier. Favorable growing conditions during the stage of fruit maturation are largely responsible for the improved crop. Improved apple quality in 2004 reduced the volume of apples utilized for juice production by nearly 10 percent. This year's large harvest and improved fruit quality will allow the local industry to achieve a 20 percent increase in export volume to a record 390,000 tons in 2004. Weak international prices and a strong New Zealand dollar, however, will result in a marked decline in grower returns per carton expressed in local currency.

Pear production in 2004 is estimated at 13,500 tons, nearly 3 times larger than 2003. Early summer wind damage caused a large portion of the pear harvest to fall below export quality. Despite this year's quality problems, exports are projected to increase to 8,500 tons thanks to the larger crop size. Pear export returns have been negatively affected by New Zealand's strong currency and weak international prices.

Pipfruit New Zealand and HortResearch created a joint venture with U.S.-based Associated International Group of Nurseries (AIGN) and Apple and Pear Australia Ltd (APAL). HortResearch has been contracted to conduct research on new apple and pear varieties by the new joint venture. The new company is expected to make an announcement regarding its future direction in October 2004.

Biosecurity Australia concluded that the risk of introducing fire blight into Australia through mature New Zealand apples is insufficient to justify the continuation of restrictive import measures on New Zealand fruit. This follows a WTO finding that similar Japanese import restrictions on U.S. apples were contrary to scientific opinion regarding the spread of fire blight and, therefore, inconsistent with Japan's WTO obligations. New Zealand's apple industry believes that the Australian market offers potential sales estimated at NZ\$ 20 million if restrictive import measures are eliminated. Australian apple growers, however, remain concerned that fire blight may be introduced through New Zealand apple shipments despite Biosecurity Australia's findings.

Exchange rate

U.S.\$ 1 = NZ\$ 1.525 on September 1, 2004.

SECTION II. STATISTICAL TABLES

PS&D

New Zealand Apples, Fresh						
	(HA)(1000 TREES)(MT)					
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2001		10/2002		10/2003
Area Planted	13000	13000	11700	11700	11000	11000
Area Harvested	0	0	0	0	0	0
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
Commercial Production	446500	446500	460000	460000	470000	511000
Non-Comm. Production	33500	33500	35000	35000	36000	39000
TOTAL Production	480000	480000	495000	495000	506000	550000
TOTAL Imports	70	70	275	275	50	150
TOTAL SUPPLY	480070	480070	495275	495275	506050	550150
Domestic Fresh Consump	70070	70070	65000	75000	70050	75050
Exports, Fresh Only	325000	325000	327000	327000	350000	390000
For Processing	85000	85000	103275	93275	86000	85100
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	480070	480070	495275	495275	506050	550150

New Zealand Apple Juice, Concentrated						
	(MT)					
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official	Post Estimate	USDA Official	Post Estimate	USDA Official	Post Estimate
	[Old]	[New]	[Old]	[New]	[Old]	[New]
Market Year Begin		10/2001		10/2002		10/2003
Deliv. To Processors	85000	85000	103275	93275	86000	85100
Beginning Stocks	0	0	0	0	0	0
Production	14450	14450	17600	15840	14600	14450
Imports	1700	2845	2500	4680	5000	6400
TOTAL SUPPLY	16150	17295	20100	20520	19600	20850
Exports	7500	9000	11100	6605	10600	9410
Domestic Consumption	8650	8295	9000	13915	9000	11440
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	16150	17295	20100	20520	19600	20850

New Zealand Pears, Fresh						
	2001		2002		(HA)(1000 TREES)(MT)	
	USDA Official [Old]	Revised Post Estimate [New] 10/2001	USDA Official [Old]	Estimate Post Estimate [New] 10/2002	2003 USDA Official [Old]	Forecast Post Estimate [New] 10/2003
Market Year Begin						
Area Planted	995	995	995	995	1000	1000
Area Harvested	0	0	0	0	0	0
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
Commercial Production	19400	11200	11900	3085	20000	11250
Non-Comm. Production	4400	2800	1600	415	4000	2250
TOTAL Production	23800	14000	13500	3500	24000	13500
TOTAL Imports	2048	2430	3000	4680	1500	2300
TOTAL SUPPLY	25848	16430	16500	8180	25500	15800
Domestic Fresh Consump	11948	2350	9000	2500	12000	3800
Exports, Fresh Only	10500	10680	5000	3180	10000	8500
For Processing	3400	3400	2500	2500	3500	3500
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	25848	16430	16500	8180	25500	15800

Trade Matrices

Trade Matrix, New Zealand Apple Exports				
Country	January - December		January - June	
	2002	2003	2003	2004
	000's of tons			
Other EU	93,922	86,445	86,342	100,092
United Kingdom	80,955	82,631	77,026	79,816
United States	64,427	54,502	40,762	55,790
Netherlands	21,678	30,622	30,426	53,054
Germany	15,390	22,507	22,507	15,800
Taiwan	15,481	16,234	14,510	19,542
Hong Kong	8,583	12,675	10,572	6,191
Other	53,773	53,631	41,190	37,220
Total	354,209	359,247	323,336	367,506

Source: Statistics New Zealand

Trade Matrix, New Zealand Pear Exports				
Country	January - December		January - June	
	2002	2003	2003	2004
	000's of tons			
United States	5,056	1,834	1,834	3,566
United Kingdom	2,549	714	714	1,841
Other EU	1,486	255	255	780
France	80	65	65	147
French Polynesia	40	63	45	72
Other	1,470	248	177	840
Total	10,680	3,178	3,090	7,246

Source: Statistics New Zealand

SECTION III. PRODUCTION, TRADE AND POLICY

Production

New Zealand's apple harvest in 2004 is estimated at a record 550,000 tons, 11 percent above a year earlier. Favorable growing conditions during the stage of fruit maturation are largely responsible for the improved crop. This season's fruit quality is generally regarded as 'reasonable' by the trade, with fruit size said to be somewhat larger than in 2003. Apple exports during the first half of calendar 2004 reached 368,000 tons and are forecast at 390,000 tons for the full year. This year's record harvest and improved fruit quality will allow export volume to expand 20 percent to a record 390,000 tons.

Weak international prices and a strong New Zealand dollar, however, will result in a marked decline in grower returns per carton expressed in local currency. Export price levels reflected heavier Southern Hemisphere export volumes and abundant apple supplies enjoyed by key export markets. While initial season export shipments attracted strong sales prices, price levels quickly weakened and grower returns for the season as a whole will fall well below early season industry expectations.

The improved quality of this year's crop will reduce the volume of apples utilized for juice production in 2004 by nearly 10 percent. Juice concentrate import and export volumes will both increase close to 40 percent in 2004.

Pear production in 2004 is estimated at 13,500 tons, nearly 3 times larger than 2003 (note that pear production figures have been adjusted to reflect new data). This is due to the biennial nature of New Zealand's pear production, which demonstrates significantly higher harvest volumes during alternate years. Early summer wind damage caused a large portion of the pear harvest to fall below export quality. Despite this year's quality problems, exports this season are projected to reach 8,500 tons thanks to the larger crop outturn. Pear export returns, however, have been negatively affected by New Zealand's strong currency and weak international prices.

New Industry Body

A new industry organization, Pipfruit New Zealand (PNZ), was created in January 2004, following the merging of operations of Pipfruit Growers New Zealand and its subsidiary, New Zealand Pipfruit Ltd. In July 2004, New Zealand apple and pear growers voted to allow post-harvest operators to join PNZ. PNZ's board consists of 4 grower members and 3 post-harvest operator representatives. The inclusion of all participating sectors of the pip fruit industry in PNZ ensures that the industry has a cohesive strategy for addressing issues that have industrywide impact. Grower and post-harvest operator membership is voluntary, although PNZ funding is generated exclusively through a compulsory grower levy. Post-harvest operators include packers, cold store operators, and exporters.

The proposal for PNZ to represent post-harvest operators was initially rejected by growers in January 2004. Many industry observers attributed this to the non-support of Mr. Apple, a key grower that controlled 20 percent of the weighted vote. Mr. Apple maintained that the proposal was unacceptable because it negatively impacted grower influence in PNZ. Mr. Apple voted in favor of the proposal in the July 2004 grower vote, following a change in the proposed shape of PNZ's board that favored growers.

PNZ activities include production and post-harvest research, market access issues, food safety assurance, regulatory compliance, government lobbying and the development of new

apple varieties. Only growers are entitled to vote on rule changes and votes are production weighted. At PNZ's July meeting, growers voted to increase the producer commodity levy from NZ\$ 0.75 to NZ\$ 1 per kilogram for the year ending October 31, 2004. Growers will have the opportunity to reduce the levy rate in late January 2005, if they feel the outlook for the upcoming harvest is positive.

Research Joint Venture

Pipfruit New Zealand and HortResearch have created a joint venture with U.S.-based Associated International Group of Nurseries (AIGN) and Apple and Pear Australia Ltd (APAL). APAL is Pipfruit New Zealand's Australian equivalent. HortResearch has been contracted to conduct research on new apple and pear varieties by the new joint venture. This provides a solution to the inability of New Zealand apple and pear growers to fully meet funding requirements of HortResearch following the elimination of government support.

The resulting (as yet unnamed) company is largely New Zealand owned and controlled. Pipfruit New Zealand will have a 45 percent shareholding, APAL 33 percent, AIGN 12 percent, and HortResearch 10 percent. Profitability for the new enterprise will hinge on license fees, royalties and partnerships achieved with producers and marketing organizations internationally. Pipfruit New Zealand, AIGN and APAL together will provide NZ\$ 13 million over a 10 year period to fund the new company. Rather than a cash contribution, HortResearch will provide intellectual property. The new company is expected to make an announcement in October 2004, regarding its future direction.

Access to the Australian Market

Biosecurity Australia has concluded that the risk of introducing fire blight into Australia through mature New Zealand apple imports is insufficient to justify the continued imposition of restrictive import measures on New Zealand apples. This follows a WTO finding that similar Japanese import restrictions on U.S. apples were contrary to scientific opinion regarding the spread of fire blight and, therefore, inconsistent with Japan's WTO obligations. Biosecurity Australia is recommending three new measures for New Zealand apple imports: 1) orchard inspections, 2) the addition of a post-harvest chlorine wash, and 3) a 42 day cold storage period prior to shipment. New Zealand growers are concerned that these proposed measures are not scientifically based and will render the commercial importation of New Zealand apples into Australia unattractive.

New Zealand's apple industry believes that additional export sales estimated at NZ\$ 20 million annually could be generated if restrictive Australian SPS measures to market entry were removed. Australian apple growers, however, continue to be concerned that fire blight may be introduced through New Zealand apple shipments despite Biosecurity Australia's findings. Australian growers are now waging an aggressive campaign against the lifting of Australia's ban on New Zealand apples. This includes high profile protests and intense government lobbying.

Smart Fresh

'Smart Fresh' is a chemical treatment that extends the storage life of apples. New Zealand's export season could be shortened as the use of 'Smart Fresh' by Northern Hemisphere apple producers becomes more common. Some New Zealand exporters, however, are focused on the potential for Smart Fresh to increase their own sales in key overseas markets.