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New Zealand

Kiwifruit

Annual

2006

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Report Highlights:

New Zealand's kiwifruit harvest in 2006 is forecast to decline 6 percent to 309,000 tons. Exports are forecast to fall 6 percent to 290,000 tons. Horticulture New Zealand officially began operating on December 1, 2005. The industry body has been created as an umbrella organization to present a unified voice for New Zealand's horticulture industry.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Wellington [NZ1]
[NZ]

SECTION I. SITUATION AND OUTLOOK

New Zealand's kiwifruit harvest in 2006 is forecast to decline 6 percent to 309,000 tons. Exports are forecast to fall 6 percent to 290,000 tons. This is the result of a forecast small increase in Gold kiwifruit production, offset by a larger decline in Green kiwifruit production. Forecasts are based on varying weather conditions during the flowering periods of both varieties. Kiwifruit production in 2005 reached 329,000 tons, a 3 percent increase on 2004's record year. Exports increased 3 percent to 310,000 tons. The 2005 harvest began late and fruit was negatively affected by rain and hail. Despite this, fruit quality was better than 2004, with good flavor and storage qualities.

Horticulture New Zealand (HNZ) officially began operating on December 1, 2005. HNZ was created as an umbrella organization to present a unified voice for New Zealand's horticulture industry. It represents the interests of New Zealand's 7,000 commercial fruit, vegetable and berryfruit growers. Industry participants see the organization's formation as an opportunity to present a stronger, unified voice to government on issues common across horticultural industries. Funding will come from a commodity levy paid by growers based on product value.

SECTION II. STATISTICAL TABLES

PS&D Table

| New Zealand Kiwifruit | | | | | | |
|----------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|---------------------------------------|
| | 2004 | Revised | 2005 | Estimate | 2006 | (HA) (MT) |
| | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Forecast Post Estimate [New] |
| Market Year Begin | 01/2004 | | 01/2005 | | 01/2006 | |
| Bearing Area | 0 | 10750 | 0 | 10950 | 0 | 11000 |
| Non-Bearing Area | 0 | 750 | 0 | 600 | 0 | 500 |
| TOTAL Area Planted | 0 | 11500 | 0 | 11550 | 0 | 11500 |
| TOTAL Area Harvested | 0 | 10750 | 0 | 10950 | 0 | 11000 |
| TOTAL Production | 0 | 320000 | 0 | 329000 | 0 | 309000 |
| Imports | 0 | 900 | 0 | 1000 | 0 | 1000 |
| TOTAL SUPPLY | 0 | 320900 | 0 | 330000 | 0 | 310000 |
| Exports | 0 | 300000 | 0 | 310000 | 0 | 290000 |
| Domestic Consumption | 0 | 20900 | 0 | 20000 | 0 | 20000 |
| TOTAL DISTRIBUTION | 0 | 320900 | 0 | 330000 | 0 | 310000 |

Trade Matrix

| New Zealand Kiwifruit Exports | | | | | |
|--|--------------------|--------|--------|--------------------|--------|
| Partner Country | January - December | | | January - November | |
| | 2002 | 2003 | 2004 | 2004 | 2005 |
| Other EU | 81561 | 91142 | 106336 | 106336 | 110467 |
| Japan | 44794 | 43977 | 56434 | 56434 | 55778 |
| Spain | 22323 | 30166 | 37402 | 37402 | 39056 |
| Korea South | 8146 | 9664 | 18476 | 18476 | 18858 |
| Italy | 11290 | 12786 | 17790 | 17790 | 16659 |
| United States | 13296 | 10436 | 13857 | 13857 | 13626 |
| Australia | 13422 | 11250 | 13852 | 13294 | 15425 |
| Taiwan | 10467 | 10701 | 11141 | 11141 | 15293 |
| United Kingdom | 15229 | 8096 | 6939 | 6939 | 7650 |
| Hong Kong | 2784 | 2742 | 4233 | 4224 | 4701 |
| China | 1428 | 1323 | 2503 | 2470 | 3318 |
| Mexico | 1023 | 706 | 2010 | 2010 | 1454 |
| Singapore | 1106 | 796 | 1146 | 1146 | 1261 |
| Other | 4390 | 4424 | 5676 | 5656 | 6675 |
| World | 231259 | 238209 | 297795 | 297175 | 310221 |

Source: New Zealand Customs

SECTION III. SUPPLY, DEMAND, POLICY AND MARKETING

PRODUCTION

New Zealand's kiwifruit harvest for 2006 is forecast to decline 6 percent to 309,000 tons. Exports are forecast to fall 6 percent to 290,000 tons. This is the result of a forecast small increase in Gold kiwifruit production, offset by a larger decline in Green production. Forecasts are based on weather during the flowering periods of both varieties. The Gold variety had perfect weather conditions during this period. It is expected that fruit quality will be better than in 2005 and slightly larger in size. The total volume harvested is forecast to increase 5 percent. The Green variety had mixed weather conditions, with a significant disparity in forecast production between regions. Production of Green kiwifruit is forecast to decline 8 percent overall.

New Zealand's kiwifruit harvest normally occurs during April and May, with exports normally completed by the end of December. Fruit sold at either end of the selling season earns a price premium. Zespri handles all kiwifruit exports from New Zealand, with the exception of a small volume of exports to Australia. The company is grower owned and does not receive financial assistance from the New Zealand government. Zespri currently accounts for 30 percent of world kiwifruit trade.

2005 Season Review

The kiwifruit harvest for 2005 was 329,000 tons, a 3 percent increase on 2004's record year. Exports increased 3 percent to 310,000 tons. The harvest began late and fruit was negatively affected by rain and hail. Despite this, fruit quality was better than 2004, with good flavor and storage qualities.

Returns to growers per carton decreased during 2005 primarily as a result of the strength of the New Zealand dollar and the increased size of the kiwifruit crop. In addition, some of Zespri's kiwifruit had to be diverted from the lucrative Japanese market due to increased Japanese fruit production. Challenging trading conditions in both Zespri's European and Asian markets also had a negative impact on returns. Despite these market conditions, price levels for Zespri kiwifruit in key markets were up during 2005. Unfortunately for New Zealand growers, these gains were offset by New Zealand's strong dollar. Zespri branded kiwifruit earns higher prices than non-Zespri kiwifruit as it is sold as a premium product. This is achieved through ongoing rigorous quality control and extensive marketing.

POLICY

Horticulture New Zealand

Horticulture New Zealand (HNZ) officially began operating on December 1, 2005. This followed the election of its board in November 2005. HNZ was created as an umbrella organization to present a unified voice for New Zealand's horticulture industry (see NZ5001). It represents the interests of New Zealand's 7,000 commercial fruit, vegetable, berryfruit and olive growers. HNZ brings together the New Zealand Fruitgrowers Federation, the New Zealand Potato and Vegetable Growers Federation and the New Zealand Berryfruit Growers Federation. Olives New Zealand officially joined HNZ following its creation. HNZ will perform the role of these organizations, with a focus on promoting the horticulture sector and its common views to the public, media, policy makers and Members of Parliament. Although these three organizations will continue to function in the background, most of their functions will be contracted out to HNZ. They will be responsible for product specific issues such as research and development and quality assurance programs. HNZ will also act as an

information clearinghouse, distributing relevant information to its stakeholders (product groups and district associations). Industry participants see the organization's formation as an opportunity to present a stronger, unified voice to government on issues common across horticultural industries.

Funding will come from a commodity levy paid by growers based on product value. The levy will be managed by HNZ, with the exception of product groups or federations of product groups, who wish to incorporate HNZ funding into their own product levy or other income. Candidates for the board are nominated by product groups and voted on by all growers. Individual product groups will continue to deal with product specific issues including research, product promotion and industry planning. Memorandums of understanding will be created between HNZ and product groups to minimize duplication of effort and possible organization clashes.

See www.hortnz.co.nz for more information.

MARKETING

Zespri has created a successful brand in international markets. Despite many markets being oversupplied with kiwifruit, Zespri continued to sell its product at price premiums to the market. Market development activity tends to be consumer oriented, with a focus on creating a healthy, exciting image for Zespri's kiwifruit. Zespri judges its marketing campaign as very successful in Asian and European markets. Although Zespri's marketing strategy targets its Gold kiwifruit, sales of Green kiwifruit have reaped residual sales benefits. Zespri focuses its promotion around the Zespri brand, which has resulted in price premiums for its fruit in many markets as a result of positive consumer response. Zespri has also enhanced its appeal to retailers by ensuring a year round supply. It does this through contracts for green fruit and licensing agreements for gold fruit (Zespri is the sole owner of the gold variety) with Northern Hemisphere growers.