



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

**Date:** 2/5/2004

**GAIN Report Number:** NZ4003

## New Zealand

## Kiwifruit

## Annual

## 2004

**Approved by:**

David Rosenbloom  
U.S. Embassy

**Prepared by:**

Alastair Patterson

---

**Report Highlights:**

New Zealand's kiwifruit harvest in 2004 is forecast at 270,000 tons, 10 percent above a year earlier thanks to very favorable growing conditions. Fruit quality is expected to be excellent, with the crop having experienced only minor frost and wind damage. Export volume is projected to expand to 252,000 tons. Producer returns, however, will be adversely affected by a 10 percent decline in the average grower sales price, due in part to the impact of the appreciation of the New Zealand dollar over the past year.

---

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

**SECTION I. SITUATION & OUTLOOK**

New Zealand's kiwifruit harvest in 2004 is forecast to reach 270,000 tons, up from 245,000 tons in 2003. The crop benefited from near optimal growing conditions in major kiwifruit growing regions, with average crop yield showing a 9 percent gain over last season. As of early February, with harvesting still two months away, an increase in fruit size already is evident. With wind and frost damaged fruit volumes expected to be modest this year, a larger percentage of fruit will meet Zespri's export grade standards. This will allow export shipments in 2004 to reach 252,000 tons compared to 225,000 tons in 2003. The improved export availability facing New Zealand will allow Zespri to better meet its overseas sales demands. Zespri's effective marketing efforts are resulting in strong buying demand for New Zealand kiwifruit in key export markets. In previous years, kiwifruit exports have been capped by limitations on the volume of fruit that met export standards. Zespri anticipates that the increase in shipping volume this year will have a dampening effect on sales prices. Grower sales price levels are forecast to fall to NZ\$ 8 per tray (3.6 kilograms) in response to the additional volume offered for export and the appreciation of the New Zealand dollar witnessed over the past year.

New Zealand kiwifruit growers are now EUREPGAP accredited. Since most growers already had systems and controls in place that met EUREPGAP standards, this only required the initiation of an external audit process. Although export profitability will not be significantly enhanced, accreditation is important to the industry since it allows Zespri to maintain access to its largest market.

Kiwifruit exports to Australia, the only overseas market that Zespri does not enjoy a statutory export monopoly, are now regulated by the Horticultural Export Authority (HEA) Act (see NZ3002). To export kiwifruit to Australia, exporters must apply for a license granted by the HEA. This regulation is intended to curb the dumping of low quality kiwifruit onto the Australian market. Concern exists within the industry that this created a poor image for New Zealand kiwifruit and adversely affected overall export pricing. Zespri also is hopeful that HEA control over exports to Australia will reduce the illegal movement of New Zealand kiwifruit to lucrative Asian markets that are being shipped through Australia.

Zespri is now in its third season of implementing its 12-month or year round supply program. Harvesting of New Zealand produced kiwifruit begins in April and export shipments usually come to an end by the end of December. In order to extend its marketing season, Zespri turned to Northern Hemisphere kiwifruit growers for both Green and Gold kiwifruit. Zespri believes that it is still two years away from having a large enough supply of Gold kiwifruit from Northern Hemisphere growers to fully complement its New Zealand-grown product. In order to better meet the fruit purchasing requirements of its buyers, Zespri had considered supplying a wider fruit variety alongside kiwifruit but has decided, for the time being, to focus its marketing resources on developing its kiwifruit business.

**SECTION II. STATISTICAL TABLES***Kiwifruit PS&D Table*

New Zealand Kiwifruit							
	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]	UOM
Market Year Begin	01/2002		01/2003		01/2004		MM/YYYY
Bearing Area	10100	10100	10500	10500	0	10750	(HA)
Non-Bearing Area	1370	1370	970	970	0	750	(HA)
TOTAL Area Planted	11470	11470	11470	11470	0	11500	(HA)
TOTAL Area Harvested	10100	10100	10500	10500	0	10750	(HA)
TOTAL Production	247320	247320	245000	245000	0	270000	(MT)
Imports	150	150	150	150	0	500	(MT)
TOTAL SUPPLY	247470	247470	245150	245150	0	270500	(MT)
Exports	227520	227520	225000	225000	0	252000	(MT)
Domestic Consumption	19950	19950	20150	20150	0	18500	(MT)
TOTAL DISTRIBUTION	247470	247470	245150	245150	0	270500	(MT)

*Trade Matrix: New Zealand Kiwifruit Exports*

New Zealand Kiwifruit Exports Calendar Years, Tons			
	2001	2002	2003*
Other EU	117449	80389	85882
Japan	35628	44440	42014
Spain	11298	21740	28051
United Kingdom	14470	15013	7641
United States	17157	12998	9739
Australia	17366	12868	11057
Italy	5500	11006	11905
Taiwan	10025	10482	10318
Korea, South	6314	7961	9039
Hong Kong	2618	2747	2582
China	1662	1449	1283
Singapore	947	1084	744
Mexico	1131	1002	660
Saudi Arabia	1391	997	734
Other	4044	3342	3351
<b>Total</b>	<b>247000</b>	<b>227520</b>	<b>225000</b>
* Jan to Nov Year			
Source: FAS Wellington, based on data from Statistics New Zealand, MAF, and trade			

**SECTION III. SUPPLY, DEMAND, POLICY AND MARKETING****PRODUCTION**

New Zealand's kiwifruit harvest normally occurs during the two month April/May period. The export marketing season is usually completed by the end of December. Fruit that is sold at either end of the selling season earns a price premium. New Zealand's 2004 kiwifruit crop is forecast to reach 270,000 tons, 10 percent larger than last year. Wind and frost damage has been minimal and fruit quality, including fruit size, is much improved over last year.

Unlike the 2003 crop that experienced significant frost damage, this year's harvest is expected to show only minor, localized frost losses. In areas that did witness cold temperatures, frost damage was minimized in many orchards by frost protection devices installed following losses last season. Where frost damage did occur, growers note that Gold kiwifruit losses were more significant than that suffered by Green kiwifruit due to its earlier bud burst. Nevertheless, damage to Gold was not nearly as severe this year compared to 2003. Production of Gold kiwifruit in 2004 is expected to increase 25 percent to 39,000 tons thanks to the favorable weather and young plantings reaching bearing age for the first time this season. New Zealand routinely exports all kiwifruit that meets export standards. This year's excellent fruit quality will reduce the amount fruit available to New Zealand's domestic market.

Average grower prices are expected to fall 10 percent this season to about NZ\$ 8 per tray (3.6 kg.). This decline in price is due to two main factors. First, the New Zealand dollar has appreciated significantly against all of Zespri's main trading partners. Returns from sales to Japan, Zespri's most profitable export market on a per tray basis, are expected to fall markedly in response to a 12 percent increase in the Kiwi dollar against the yen over the past year. Sales returns on shipments to Europe will be hurt by a 5 percent rise in the New Zealand dollar against the Euro. Zespri's hedging policy helps to reduce its currency losses, but its currency coverage for the 2004 season is not as extensive as it has been in the past.

The second factor weighing on grower prices is this year's much larger crop and export availabilities compared to a year ago. Strong overseas consumer demand for New Zealand's kiwifruit thanks to Zespri's effective marketing programs and a limited export supply has in past years resulted in strong export price levels. This season, however, Zespri is likely to be in a position to better fill all of its export. This will tend to result in some price weakness.

Kiwifruit area in New Zealand continues to expand at a moderate rate. Grower optimism is reflected in the conversion of land to kiwifruit production and the record prices now being paid to purchase established orchards. Area expansion is being limited by urban expansion, particularly in the Bay of Plenty region, which accounts for nearly 80 percent of national kiwifruit production. Zespri owns proprietary rights for the Gold variety and growers are required to obtain licenses to plant. At present, Zespri is not issuing additional licenses to growers to expand planted area for Gold kiwifruit in an attempt to maximize sales revenues through its supply management. Growers, however, are eager to expand their plantings of Gold since yield levels from this variety run twice that of Green kiwifruit.

**2003 Season Review**

The 2003 kiwifruit harvest was very similar to 2002, with both crops suffering from widespread, heavy frosts in key kiwifruit growing areas in late September/early October. Fruit matured last year on average about 7 to 10 days later than during the 2002 season. This reduced early season fruit volumes earning premium export prices. According to seasonal export figures released by Zespri, quantities of Green shipped in 2003 increased nearly 6 percent to 174,000 tons, while Gold kiwifruit exports rose nearly 8 percent to

31,000 tons. Green organic export sales in 2003 reached 7,200 tons, similar to the 2002 season. Overall, Zespri's export earnings for 2003 increased 5 percent. Zespri's net sales revenue in 2003 reportedly increased to a record NZ\$ 860 million. Kiwifruit exports by Zespri in 2003 reached 215,000 tons. An additional 10,000 tons was sold to Australia by all other exporters combined, allowing New Zealand to reach the 225,000 ton export figure shown for 2003 in our PS&D table.

#### *Organic Production*

The price premium that Zespri traditionally has given to organic kiwifruit growers will be removed for the 2004 season. Zespri notes that its customers increasingly are unwilling to pay significant price premiums for organic kiwifruit. This means that New Zealand growers may become less willing to produce organic kiwifruit given the extra costs associated with this type of production. Many growers already have returned to non-organic production.

#### *Zespri's Grower Relations*

Zespri has attempted to learn from the mistakes experienced by other sole marketers of New Zealand horticultural products. Zespri attempts to consider grower opinions on all important kiwifruit issues and holds regular meetings with growers. Zespri pays a price premium to growers for fruit marketed early and late in the season when export prices are strongest. Grower prices can also reflect orchard management practices which improve export fruit quality by increasing fruit dry matter content and hence sweetness, pest free fruit (reducing the likelihood that an importing country will fumigate), and larger fruit size. All growers do not support the single-desk-selling (near monopoly export structure) enjoyed by Zespri. However, after 5 years of consistent growth in grower returns, Zespri has gained the support of the majority of New Zealand's kiwifruit growers.

#### **POLICY**

##### *HEA Regulations*

As of December 2003, Kiwifruit exports to Australia have been regulated by the Horticultural Export Authority (HEA) Act (1987). Australia is the only export market that Zespri does not have a statutory export monopoly over (see GAIN report NZ3002). Exporters are now required to apply to HEA for licenses to export kiwifruit to Australia. HEA's Export Marketing Strategy (EMS) will govern how exporters operate in this market. The majority of exporters to the Australian market sought this regulation. This reflected exporter concern that Australia was at times being used as an outlet for marketing lower quality fruit in a manner which was negatively affecting New Zealand's fruit image and export price levels. The industry anticipates that the marketing of kiwifruit in Australia will be better disciplined under the HEA's export authority. Zespri also hopes that its concerns that kiwifruit documented as destined for the Australian market that was being diverted to more lucrative Asian markets and thus competing against Zespri sales will be effectively addressed.

#### **MARKETING**

Zespri handles all kiwifruit exports from New Zealand, with the exception of a small amount of exports to Australia. Zespri is grower owned and does not receive any financial assistance from the New Zealand government. Zespri currently accounts for 30 percent of world kiwifruit trade. During New Zealand's peak export season, it accounts for more than 60 percent of all kiwifruit supplied to the European market and more than 90 percent of supply to the Japanese market.

Zespri is the only organization in the world that spends more than a nominal amount on market promotional activity directed at kiwifruit, allocating some NZ\$ 30 million annually on such activity. Sales efforts tend to be consumer oriented, with a focus on creating a healthy, exciting image for Zespri's kiwifruit. Zespri judges its marketing campaign as being very successful and recognizes that non-New Zealand kiwifruit also has benefited from its marketing expenditures to increase consumer awareness of this fruit. Although Zespri's marketing focus is on Gold kiwifruit, sales of Green kiwifruit have reaped residual sales benefits.

#### *The 'Taste Zespri' Promotion*

Zespri in Japan launched the 'Taste Japan' initiative three years ago in an effort to improve fruit quality and consistency of the Green kiwifruit variety. Last season, Zespri expanded its program to other markets by introducing the 'Taste Zespri' campaign. Under this program, Zespri rewards Green kiwifruit growers that produce high quality fruit with a payment premium. New tests will be introduced for the 2004 season that will assess sugar level, soluble solids and ripeness of harvested fruit.

#### *Twelve Months Supply*

Zespri continues to develop its 12-month supply/marketing program to better service its overseas customers. Zespri believes that it will take another two years before growers licensed to cultivate Gold kiwifruit in other producing countries can obtain production levels which will allow Zespri to fully provide year round supplies. Gold kiwifruit production licensed in the United States, Italy and other Northern Hemisphere countries will provide Zespri with fruit for marketing when New Zealand supplies are unavailable. Long-term, Zespri may also turn to marketing other fruit types that might strengthen its overall fruit marketing program.

#### *EUREPGAP*

New Zealand kiwifruit growers are now EUREPGAP (Euro Retailer Produce Working Group) accredited. EUREPGAP represents leading European food retailers that use GAP (Good Agricultural Practice) as a framework for providing consumers with greater food safety assurance. Gaining accreditation was important for Zespri in order to maintain access to its largest market. Profitability, however, is not likely to be significantly improved by this action. Most New Zealand growers have a portion of their crop marketed to the European market and all but a few were successful last year in gaining EUREPGAP accreditation. This will allow Zespri to efficiently operate its inventory and logistics management without incurring added costs. Most growers already used systems and controls that met EUREPGAP standards. EUREPGAP accreditation requires an external audit that will place some additional burden on grower record keeping. New Zealand's success in gaining EUREPGAP accreditation was in part due to Zespri's outreach efforts to explain the approval process.