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## **Report Name:** Fresh Deciduous Fruit Annual

**Country:** New Zealand

**Post:** Wellington

**Report Category:** Fresh Deciduous Fruit

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### **Report Highlights:**

New Zealand apple-planted area in the 2023/2024 market year is forecast to drop substantially from 11,000 ha to 9,200 ha. This development results from the impacts of cyclone Gabrielle, which caused large scale floodwaters, silt, debris, wind, and surface flooding in the primary apple growing regions of Hawkes Bay and Gisborne. FAS/Wellington is forecasting apple production in the 2023/2024 market year to be 460,000 metric tons (MT). This is representative of a predicted recovery as a result of the forecasted El Niño weather, availability of seasonal labor, and implementation of farm system innovations. Although projected exports are well behind historical years volumes, FAS/Wellington forecast a recovery in the 2023/2024 market year following the damage incurred in the current year. Due to New Zealand's counter-seasonal production to other countries, market demand will likely stay strong.

## **Executive Summary**

New Zealand's apple planted area in the 2023/2024 market year (MY) is forecast to drop substantially from 11,000 hectares (ha) to 9,200 ha. This is a result of the impacts of cyclone Gabrielle, which caused large-scale floodwaters, silt, debris, wind, and surface flooding in the primary-apple growing regions of Hawkes Bay and Gisborne. Orchards in this region were damaged so severely that tree stock could no longer be classed as viable for future production or was destroyed completely.

FAS/Wellington is forecasting apple production in the 2023/2024 MY to be 460,000 metric tons (MT). This is representative of a predicted recovery as a result of the forecasted El Niño weather pattern, availability of seasonal labor, and implementation of farm system innovations. In addition, hectares that lost output in the season prior due to weather conditions will likely grow a full season's crop in the outgoing year.

Although projected exports are well behind historical volumes. FAS/Wellington forecast a recovery in the 2023/2024 year following the damage incurred in the current year. Due to New Zealand's counter seasonal production to other countries, market demand is anticipated to stay strong. Export priorities are anticipated to continue to focus on Asian markets such as Vietnam and China, as well as the United States and the United Kingdom.

With the current replacement of damaged orchards and increasing interest rates on financial lending, farm gate returns to growers will be a substantial factor in selecting future varieties. As a result, the industry is already seeing diminishing hectares for older varieties such as Braeburn, in favor of newer varieties such as Rockit.

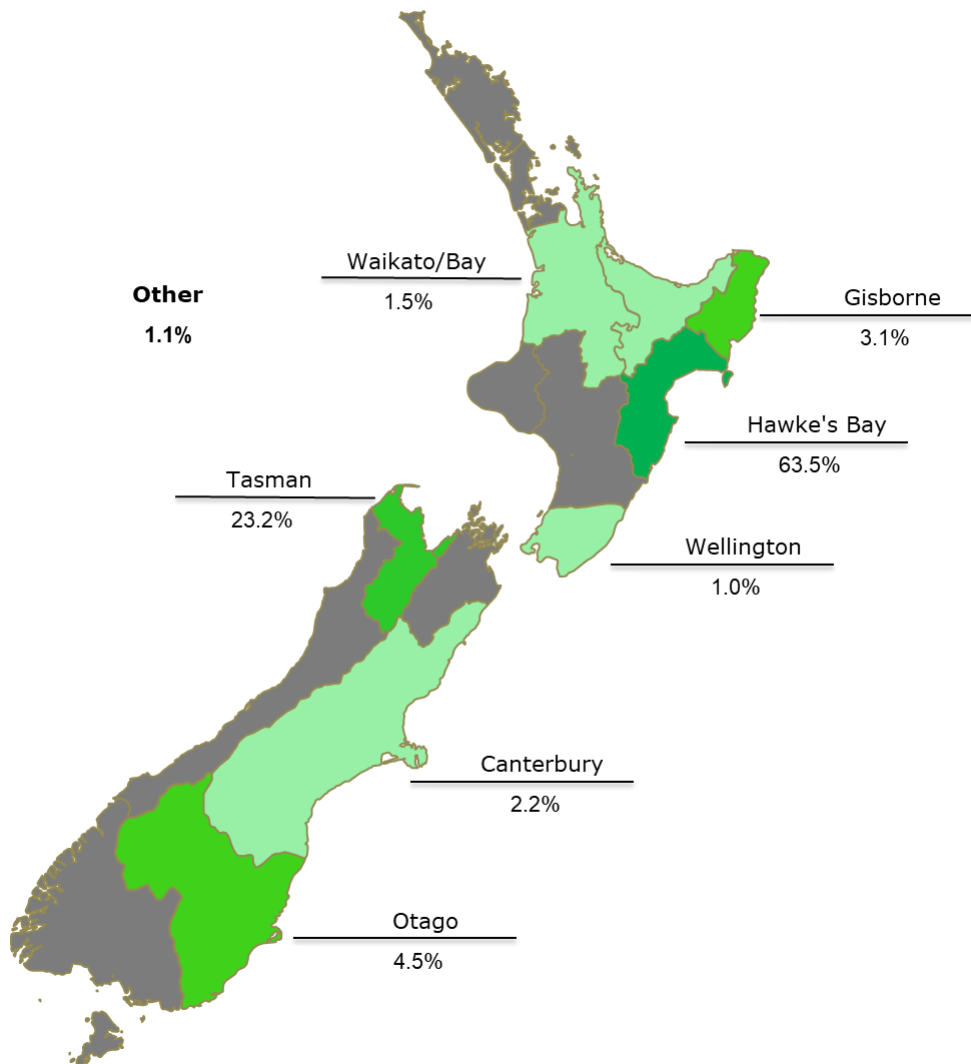
Domestic demand for pears in New Zealand continues to outstrip domestic supply. As a result, New Zealand imports fresh pears to meet its market demand annually.

*Note: Growing Year (GY) will refer to July 1 to the following June 30. For foreign exchange rate between New Zealand Dollar and United States Dollar, the rate used in this report is NZ\$ 1.00 = US\$ 0.60.*

## Background

New Zealand ranks as one of the world's top ten largest apple exporters, with a climate and soils that make it well-suited for growing apples and pears. Key growing regions such as Hawke's Bay, Tasman, and Central Otago have ideal conditions for growing apples, such as sufficient winter chilling, warm springs, long sunshine hours in summer, and dry growing areas. These areas also have reliable water resources to irrigate orchards, and as a result, almost all commercial orchards rely on irrigation. New Zealand also has well-established ports close to its apple and pear regions. The harvest season starts in January and finishes in June, with peak harvest for apples from March to May. Displayed in Figure 1 is the distribution of the country's apple and pear growing areas, where the majority of production is located in the Hawke's Bay region (nearly two-thirds of New Zealand's trees).

**Figure 1: New Zealand Apple and Pear Growing Regions**

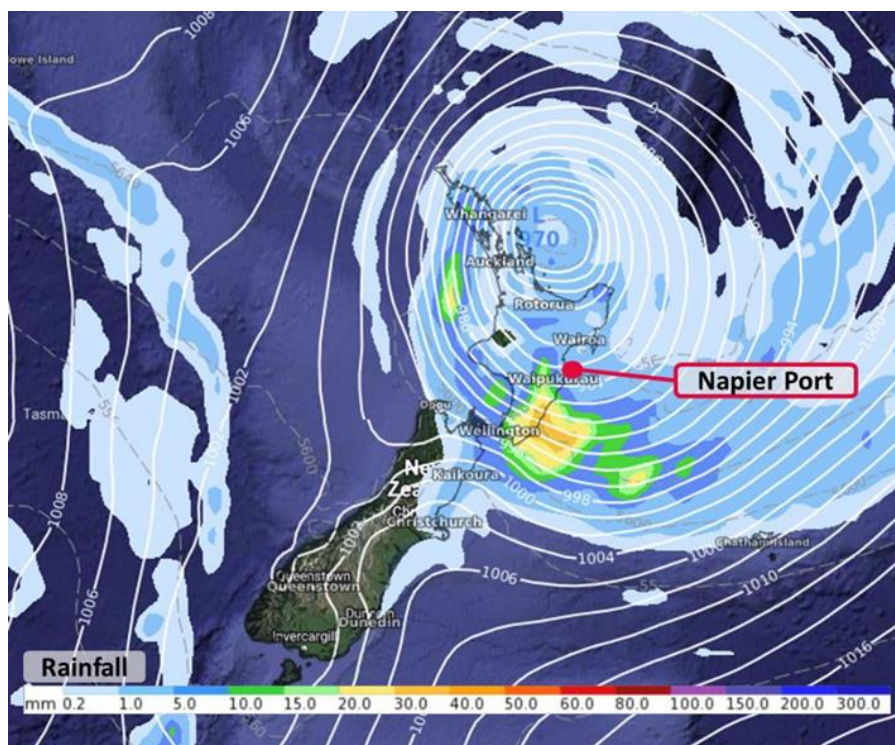


Source: Statistics NZ

## Cyclone Gabrielle

Several of the North Island's horticulture growing regions were impacted by adverse weather in the 2022 season, including Cyclones Hale and Gabrielle (see Figure 2). The government called Cyclone Gabrielle one of the deadliest weather events to hit the country since 1968. Intense winds and rain caused huge landslides and flooding, which, for the apple industry in particular resulted in the widespread destruction of orchards and infrastructure, in addition to an immense buildup of silt in vast areas. Cyclone Gabrielle affected approximately half of the Hawke's Bay and Gisborne region's orchard area, as well as the Napier Port, which supplies aid to the region. Much of the impact on the national deciduous fruit crops is due to the majority of hectares being located in these regions.

**Figure 2: Cyclone Gabrielle Rain Map Tuesday Feb 14th, 2023, at 10:00am**



Source: Weather Watch NZ

## Apples

### Planted and Harvested Areas

#### 2023/2024

FAS/Wellington is forecasting apple planted area in 2023/2024 to drop substantially from 11,000 hectare (ha) to 9,200 ha and harvested area to be 9,000ha, following reported estimates by Ministry for Primary Industries (MPI). This is as a result of the impacts of cyclone Gabrielle, which caused large scale floodwaters, silt, debris, wind, and surface flooding in the primary apple growing regions of Hawkes Bay and Gisborne. As a result, orchards were damaged so severely that tree stock could no longer be classed as viable for future production or was destroyed completely.

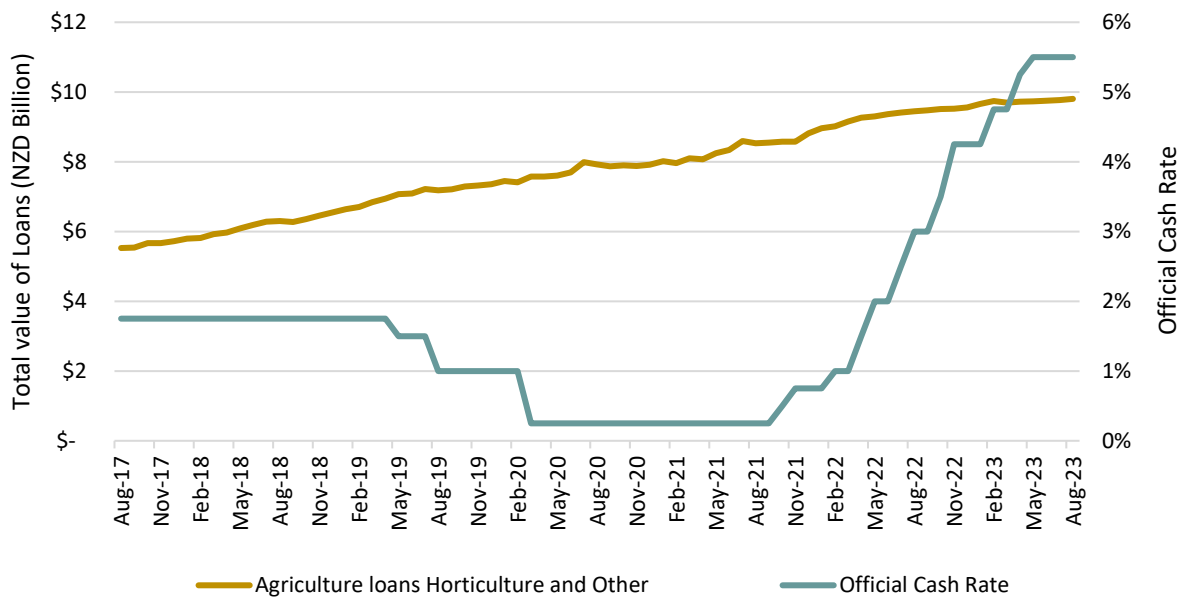
--Recovery from Cyclone Gabrielle

Growers in the Napier and Gisborne regions are undergoing the decision process to salvage or repair damaged orchards. The estimated cost of reinstating apple and pear orchards is significant, at between NZ\$180,000 to NZ\$250,000 per hectare (US\$108,000 to US\$150,000) for trees and planting, support structures, irrigation systems, and ground preparation. The lead time to obtain apple tree stock can be two to three years, with a further lead time before trees reach maturity. In addition, growers already face with reduced incomes from not just the 2022/2023 crop but also previous challenging years due to the COVID-19 pandemic. As a result, there may be a substantial number of hectares that may not be reinstated in the future or will at least take several years to come back online.

--Increasing Debt and Interest Rates

With the reinstating of orchards and any other investment into operations, many growers will require lending from banks. Currently, a major challenge facing the New Zealand farming sector is the servicing of debt, as a result of the rise in national interest rates for lending facilities with banks. This is dependent on how the New Zealand Reserve Bank (RBNZ) sets the nation’s official cash rate (OCR), equivalent to the federal funds rate in the United States (Figure 3). Following the most recent review by the RBNZ on May 24, 2023, the national OCR was raised to 5.50 percent, consistent with projections. RBNZ stated that a pause at this point would allow more time to assess the impact of the significant tightening and the timing of any further increase that might be needed.

**Figure 3: New Zealand Interest Rates and Farm Debt**



Source: Reserve Bank of New Zealand

According to the RBNZ, the nation’s total bank loans to Horticulture operations were NZ\$9.8 billion (US\$5.9 billion) as of August 2023 (Figure 3). Since 2017, the total value of loans to

horticultural growers has increased at a compounding annual growth rate (CAGR) of 8.74 percent per year, compared to dairy, livestock, and grain farmer loans combined, which have decreased at a CAGR of -0.51 percent per year.

## **2022/2023**

FAS/Wellington maintains the USDA official estimate of 11,000 ha planted and 8,900 ha harvested in 2022/2023. The timing of Cyclone Gabrielle meant that grower's ability to recover crops prior to harvest was almost impossible. Growers directed their attention to harvesting any unaffected orchards and accessible parts of orchards or trees where the fruit was salvageable. Based on information gathered from industry sources, FAS/Wellington estimates that just under 20 percent of national hectares went unharvested due to either being submerged in silt and inaccessible or destroyed.

Other apple-growing regions in New Zealand such as Tasman, Canterbury, and Otago were unaffected by the weather events to the degree of Hawkes Bay and Gisborne. With a full return of the Recognized Seasonal Employer (RSE) scheme, production areas were harvested.

## **Production**

### **2023/2024**

FAS/Wellington is forecasting 2023/2024 production to be 460,000 metric tons (MT). This is representative of a predicted recovery due to the forecasted El Niño weather pattern, availability of seasonal labor, and implementation of farm system innovations. In addition, to hectares that had lost yield in the season prior due to weather conditions, growing a full season's crop in the outgoing year.

#### --Seasonal Labor Availability

This has had a substantial impact on the national horticultural yield during past seasons, as foreign labor was constrained by Government border restrictions due to the COVID-19 pandemic. The industry is currently more optimistic about the outlook for labor availability with no more border restrictions and the return of foreigners on working holiday visas.

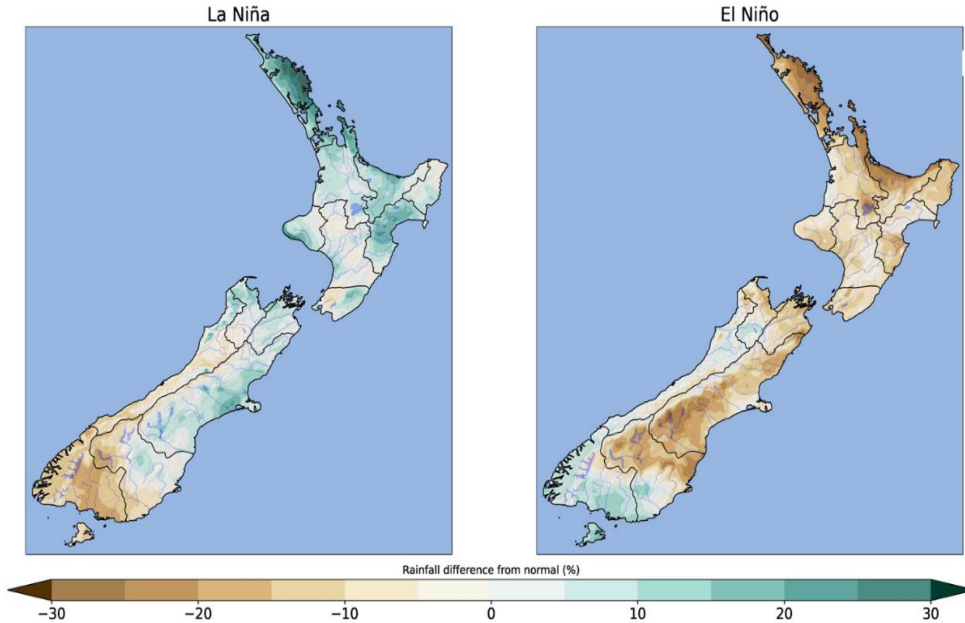
The recognized seasonal employer (RSE) scheme is a government policy that allows the horticulture and viticulture industries to recruit workers from overseas for seasonal work when there are not enough local workers. These are typically from countries in the Pacific and is a vital component to apple harvest labor. In September 2022, the cap or admin limit was lifted for the 2022/2023 season to 19,000 people, from 16,000. In October 2023, New Zealand changed government following a general election. The incoming government announced prior to the election a planned policy to further increase the cap over a five-year period to 38,000 people per year.

#### -- El Niño Weather Pattern

National Institute of Water and Atmospheric Research (NIWA) scientists are forecasting an El Niño weather pattern after the previous three years of La Niña. During El Niño, New Zealand tends to

experience stronger or more frequent winds from the west in summer, which can encourage dryness in eastern areas and more rain in the west (Figure 4). With a majority of commercial orchards utilizing irrigation, the impacts of a dry season are of little concern unless the water supply becomes restricted.

**Figure 4: Effects of La Niña and El Niño Summer Rainfall**



Source: National Institute of Water and Atmospheric Research (NIWA)

### --Innovation and Biotechnology

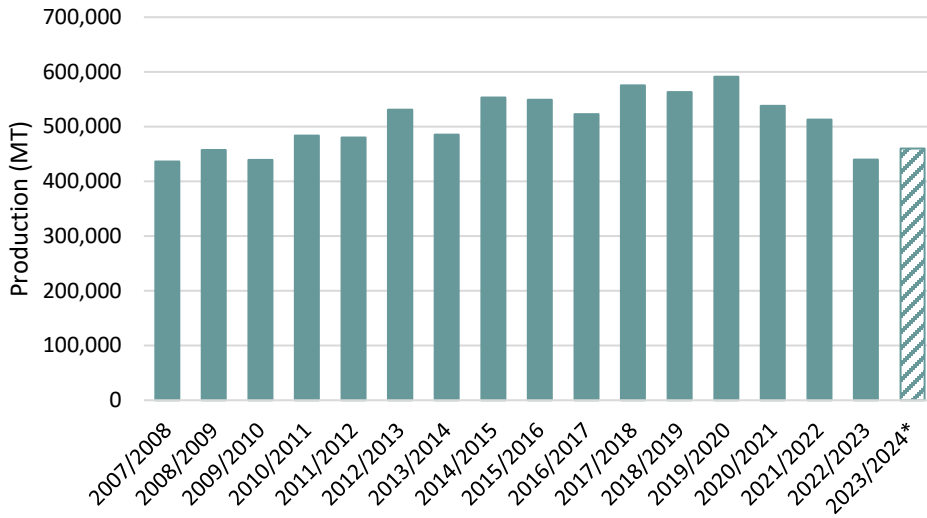
Over the last few years, many orchards and packhouses have advanced technologically and made large investments into automation to manage labor more effectively. Other innovations aim to improve decision making and fruit quality management. Packhouses are investing in camera technology for grading and robotics for packing, stacking, and palletizing. In recent years, growers have made large investments in platform technology to make the orchard jobs easier and more efficient.

The new incoming government, prior to the election, announced aspirations to change legislation, allowing the utilization of biotechnology that until recently has been banned in New Zealand. In the report called – [Harnessing Biotech](#); specific references highlight the potential benefits for the recovery of the apple industry. The report also highlights ongoing research that would shorten the timeline for trees to reach full commercial production by years.

### **2022/2023**

FAS/Wellington has reduced the production forecast from the USDA official estimate to 440,000 MT. This is a result of the already-mentioned impacts of Cyclone Gabrielle. In contrast, most areas of the South Island experienced favorable growing condition: the Nelson-Tasman region (23 percent of apple and pear planted area) experienced good growing conditions in 2022/2023 with increased yields of quality fruit. Unfortunately, this yield is a 15-year low, the lowest since the 2007/2008 season (Figure 5).

**Figure 5: New Zealand Apple production**



Source: Official USDA Estimates, \*FAS/Wellington forecast

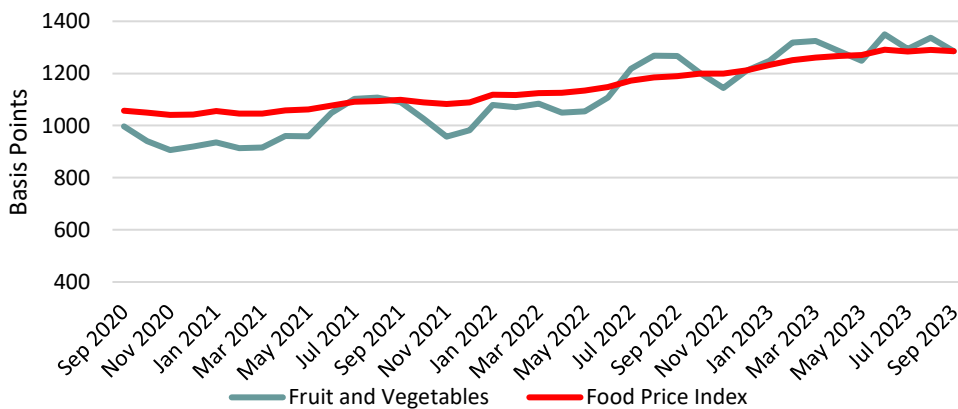
**Consumption**

**2023/2024**

FAS/Wellington forecasts domestic consumption in 2023/2024 to be 143,100 MT - reflecting the recovery in production following the previous year. Fresh consumption has traditionally been steady at ~74,000 MT for the domestic market, with remaining volumes destined for further processing.

New Zealand is continuing to face increased inflationary pressure on food prices. As of September 2023, as reported by Statistics New Zealand, the overall food price index was 8 percent more than the same time last year and continues to rise (see Figure 6). This pressure will definitely have an impact on domestic consumption over the coming year as household budgets tighten due to the rising cost of food.

**Figure 6: New Zealand Food Price Index: September 2023**



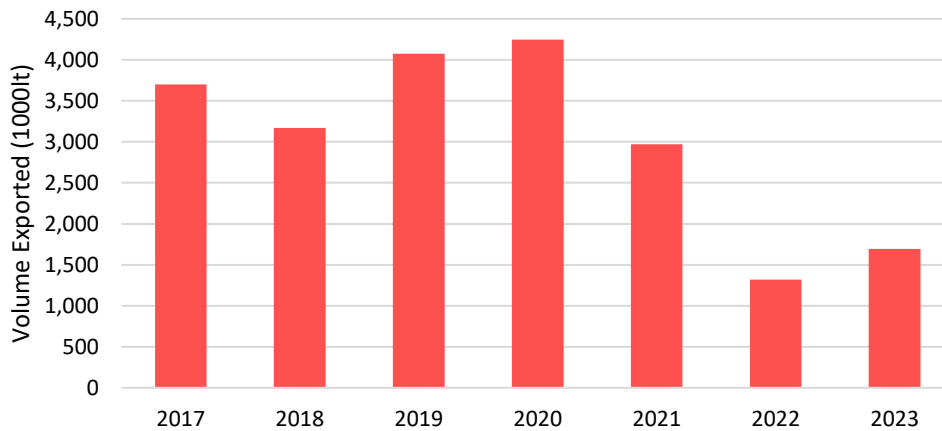
Source: Statistics New Zealand



## 2022/2023

FAS/Wellington has revised down domestic consumption from the USDA Official to 133,100 MT. This reflects the lower production and available volumes being prioritized for export markets year-to-date. Highlighted in the last section is the inflationary pressure on the price of food in the domestic market, limiting the purchasing power of domestic consumers. FAS/Wellington believes this is the situation causing a decrease in domestic fresh consumption, as apple juice exports are currently up 28 percent at the same time last year (Figure 7), which indicates more fruit going for further processing.

**Figure 7: New Zealand Apple Juice Exports to the World (January to September)**



Source: Trade Data Monitor LLC

## Trade

### Exports

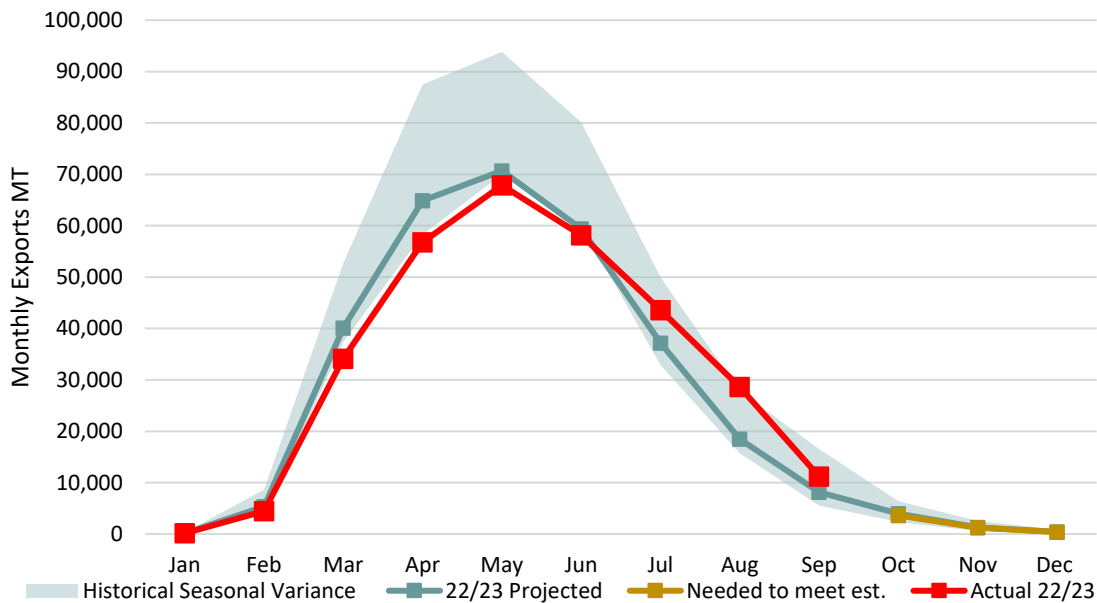
## 2023/2024

FAS/Wellington is forecasting exports for 2023/2024 to be 320,000 MT. Although well behind historical volumes, this represents a recovery following the damage incurred in the current year. With New Zealand's counter-seasonal production to other countries, market demand is anticipated to stay strong according to industry sources. Export priorities are anticipated to continue to focus on Asian markets such as Vietnam and China, as well as the United States and the United Kingdom in the foreseeable future.

## 2022/2023

FAS/Wellington revises its forecast for apple exports up on the USDA official to 310,000 MT. Industry commentary was that there was strong early-season demand in Asia markets, including China, Vietnam, and Taiwan, influenced by the reduced available export volume of New Zealand apples and pears in 2022/2023. Additional industry commentary is that exporters have prioritized international markets over domestic markets in the current year. To date, exports have tracked the lowest per month than previous years over the harvest period, with more volumes than previous years shipping over the winter months (see Figure 8).

**Figure 8: Monthly New Zealand Apple Exports and Forecast**



Source: Trade Data Monitor LLC

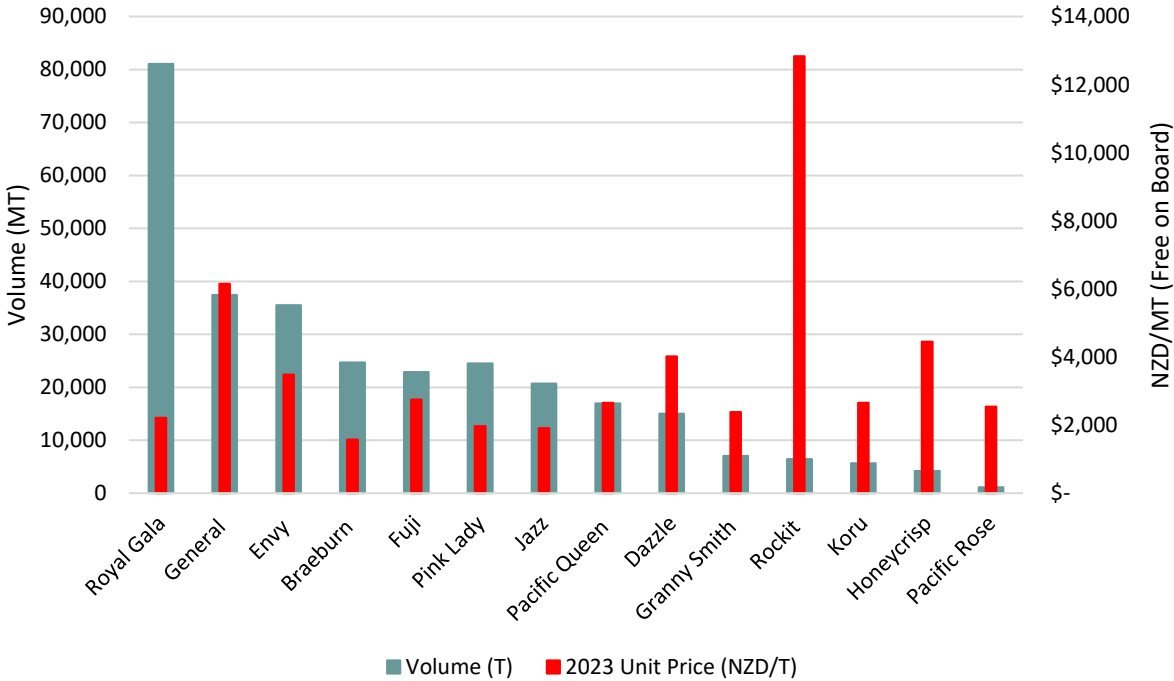
**Table 1: New Zealand Export Statistics for Apples**

Destination Country	Quantity (MT) Calendar Year					January-September		
	2018	2019	2020	2021	2022	2022	2023	%Δ 2023/22
<b>World total</b>	<b>369,389</b>	<b>390,942</b>	<b>400,397</b>	<b>355,799</b>	<b>340,762</b>	<b>331,289</b>	<b>303,155</b>	<b>-8.49</b>
Vietnam	18,149	25,874	32,157	33,677	47,223	45,459	43,876	-3.48
China	22,171	45,015	38,098	35,423	53,304	53,210	41,692	-21.65
Taiwan	22,437	20,858	26,596	29,135	31,183	30,699	28,787	-6.23
United States	40,462	33,883	28,379	24,433	23,949	23,949	26,043	8.74
United Kingdom	44,665	43,299	39,569	32,549	21,892	21,892	22,065	0.79
Thailand	18,654	32,890	23,501	20,940	22,486	20,897	22,010	5.33
India	25,787	17,068	22,163	28,148	18,074	16,992	19,142	12.65
Hong Kong	14,074	19,010	16,018	13,953	12,381	11,405	12,934	13.41
UAE	15,424	14,198	19,163	15,880	14,059	13,140	12,342	-6.07
European Union	17,771	18,992	18,452	16,777	13,531	13,052	10,563	-19.07
Other	129,795	119,855	136,301	104,884	82,680	80,594	63,701	-20.96

Source: Trade Data Monitor LLC

Royal Gala has been the largest variety for export in 2022/2023 MY. However, increases in export demand for varieties such as Envy, Dazzle, and, in particular Rokit have experienced increases in unit pricing per MT (Figure 9). Commentary from growers is that with the current replacement of damaged orchards and increasing interest rates, farm gate returns will be a substantial factor in the selection of future varieties. As a result, the industry is already seeing diminishing hectares for varieties such as Braeburn, which in 2011/2012 accounted for 22 percent of national hectares and in 2021/2022 was just 8 percent.

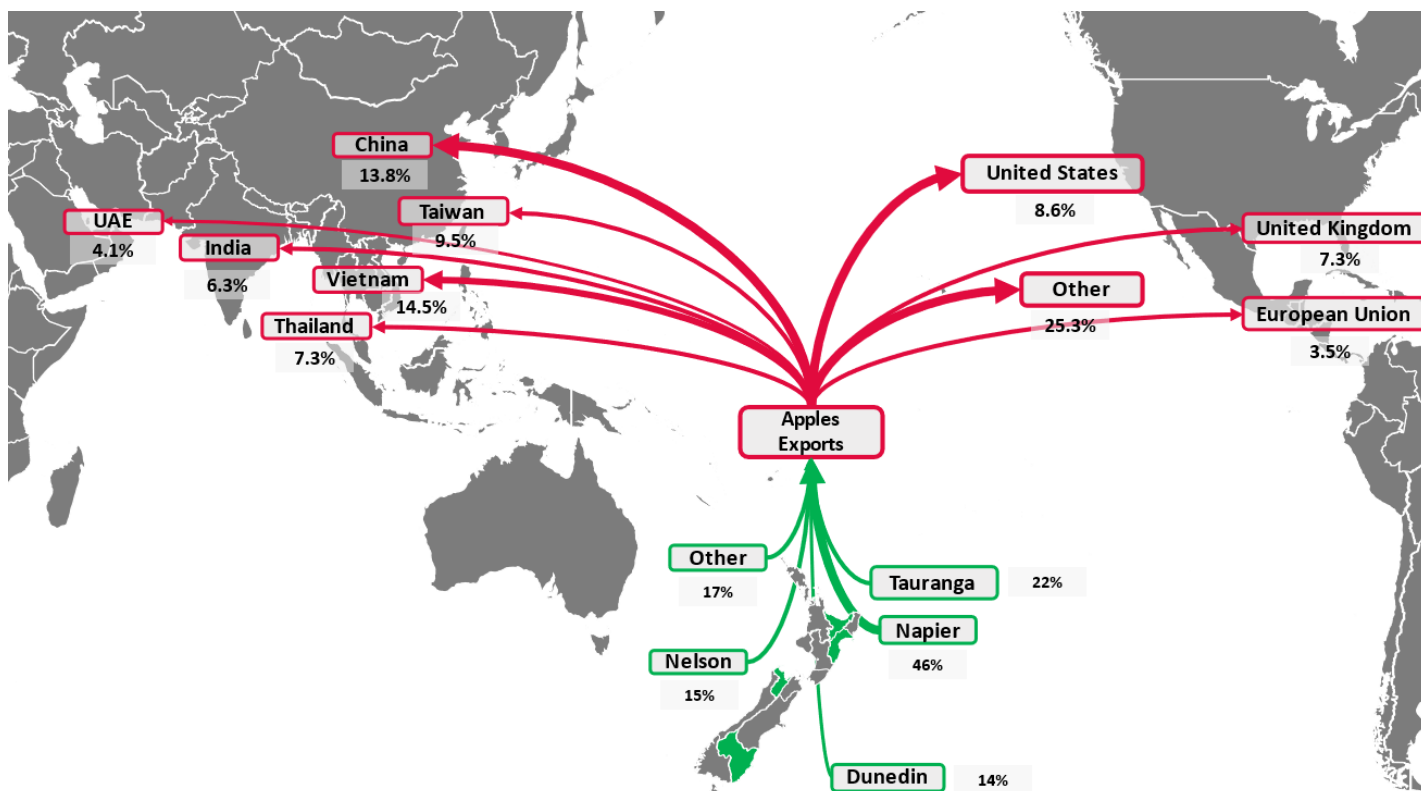
**Figure 9: New Zealand Apple Exports by Variety and Unit Price**



Source: Trade Data Monitor LLC

In the past 5 years, Napier port has been the primary location of Apple exports to world markets, accounting for 61 percent of volume. In the 2022/2023 MY, there has been a significant shift in export ports, with Tauranga increasing apple volumes exported by 30 percent at the same time last year and Dunedin port doubling at the same time in previous years. As a result, the proportion of apple exports from New Zealand changed significantly as seen in Figure 10. In addition, year to date, Vietnam has surpassed China as New Zealand’s largest market in 2022/2023, at 14.5 percent and 13.8 percent respectively.

**Figure 10: New Zealand Apples Exports by Volume Jan to Sep 2023 (proportion)**



Source: Trade Data Monitor LLC

## Trade Policy

During the first half of 2022, New Zealand concluded negotiations on two separate Free Trade Agreements (FTA), one with the United Kingdom (UK) and one with the European Union (EU). The purpose of these FTAs is to provide tariff relief and/or expanded quotas for several New Zealand agricultural products, including horticulture, seafood, dairy, and meat products. Finalizing these FTAs will occur in 2023, and domestic formal approval of the agreements to likely happen in 2023/2024. Despite these FTAs, it is expected that New Zealand apple exports will continue to be focused on nearby Asian markets.

The proposed quotas are:

- **UK:**
  - Tariffs eliminated entry into force for trade between January and July
  - Duties removed over three years in four equal reductions, for trade between August and December. A 20,000-tonne duty free quota will operate until all tariffs are eliminated.

- To date in 2023 apple exports to the UK are almost 1 percent ahead of the same time last year at 22,065 MT.

➤ **EU:**

- Tariffs will be eliminated from day one on apples, with savings of NZ\$1.3 million (US\$780,000) per annum.
- To date in 2023 apple exports to the EU are 19 percent behind the same time last year at 10,563 MT.

## Imports

FAS/Wellington forecasts import for 2023/2024 to be at 100 MT. These imports are sourced predominantly from the United States to supply consumers in the months leading up to harvest (November to December) as the domestic supply is decreases. The development of atmosphere-controlled cool stores to keep local fruit within a couple of months of the next harvest, has reduced the demand for fresh apple imports. For 2022/2023, the import estimate is revised down to 100 MT from the USDA official estimate due to no imports so far this year, despite the impacts on overall production.

**Table 2: Production, Supply and Distribution – Fresh Apples**

Apples, Fresh Market Year Begins New Zealand	2021/2022		2022/2023		2023/2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Area Planted</b> <small>(HA)</small>	11000	11000	11000	11000	0	9200
<b>Area Harvested</b> <small>(HA)</small>	10300	10300	8900	8900	0	9000
<b>Commercial Production</b> <small>(MT)</small>	510000	510000	450000	440000	0	460000
<b>Non-Comm. Production</b> <small>(MT)</small>	3000	3000	3000	3000	0	3000
<b>Production</b> <small>(MT)</small>	513000	513000	453000	443000	0	463000
<b>Imports</b> <small>(MT)</small>	100	46	300	100	0	100
<b>Total Supply</b> <small>(MT)</small>	513100	513046	453300	443100	0	463100
<b>Domestic Consumption</b> <small>(MT)</small>	172300	172246	183300	133100	0	143100
<b>Exports</b> <small>(MT)</small>	340800	340800	270000	310000	0	320000
<b>Total Distribution</b> <small>(MT)</small>	513100	513046	453300	443100	0	463100

(HA) ,(1000 TREES) ,(MT)

# Pears

## Planted and Harvested Areas

As already discussed, similar to the situation with apples, the effects of Cyclone Gabrielle in the Hawke’s Bay and Gisborne region has impacted the planted and harvest areas for the national crop to 375 hectares total and a harvest off 345 hectares in 2023/2024. There are no changes to the 2022/2023 USDA official.

## Production

Total pear production for 2023/2024 is forecast at 10,500 MT, a five percent improvement on the 10,000 MT estimated for the current 2022/2023 year. This is a result of the expected recovery of some hectares and yield compared to the previous harvest.

## Consumption

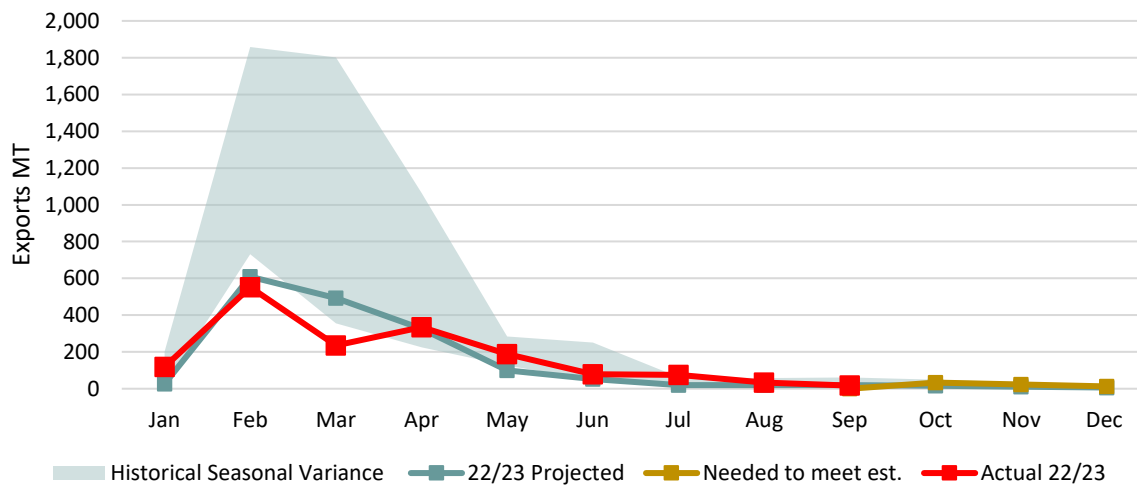
FAS/Wellington forecasts total pear domestic consumption to increase to 12,600 MT for 2023/2024, which is up 100 MT from the 2022/2023 revised USDA official estimate of 12,500 MT.

## Trade

### Exports

For the 2023/2024 MY, FAS/Wellington forecasts New Zealand’s pear exports to be 1,800 MT. This is a 100 MT increase on the revised exports from the USDA official estimate of 1,700 MT. As of September 30, 2023, fresh pear exports from New Zealand were 34 percent behind the previous year, substantially impacted by the season’s climatic challenges (Figure 11). Taiwan, China, and the United States remains the primary markets for pear exports.

**Figure 11: Monthly New Zealand Pear Exports and Forecast**



Source: Trade Data Monitor LLC

## Imports

FAS/Wellington forecasts 2023/2024 imports to be 3,700 MT, less than the 2022/2023 forecast of 4,000 MT, which is unchanged from the USDA official. New Zealand's demand for fresh pears continues to outstrip the national production. As a result, New Zealand is a net importer of pears. Australia is by far the largest supplier of pears to New Zealand, followed by China and South Korea.

**Table 3: Production, Supply and Distribution – Fresh Pears**

Pears, Fresh Market Year Begins New Zealand	2021/2022		2022/2023		2023/2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted <sup>(HA)</sup>	375	375	375	375	0	375
Area Harvested <sup>(HA)</sup>	345	345	325	325	0	345
Commercial Production <sup>(MT)</sup>	11300	11300	10000	10000	0	10500
Non-Comm. Production <sup>(MT)</sup>	200	200	200	200	0	200
Production <sup>(MT)</sup>	11500	11500	10200	10200	0	10700
Imports <sup>(MT)</sup>	3600	3600	4000	4000	0	3700
Total Supply <sup>(MT)</sup>	15100	15100	14200	14200	0	14400
Domestic Consumption <sup>(MT)</sup>	12600	12600	12700	12500	0	12600
Exports <sup>(MT)</sup>	2500	2500	1500	1700	0	1800
Total Distribution <sup>(MT)</sup>	15100	15100	14200	14200	0	14400
(HA) ,(1000 TREES) ,(MT)						

## Attachments:

No Attachments