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New Zealand

Fresh Deciduous Fruit

N.Z. APPLES : 1998/99 SEASON OUTLOOK

1999

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Report Highlights: New Zealand's export apple crop is expected to reach 17.5 million cartons (495,720 MT) in 1998/99, well up on last season's harvest. Highly colored strains of Braeburn, Gala and Royal Gala will dominate the export product mix. In response to the New Zealand Government's May 1998 Budget request for all producer boards to develop plans for operating without statutory backing, the Apple and Pear Marketing Board has proposed significant restructuring, but seeks to maintain its single seller status.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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SECTION I. SITUATION AND OUTLOOK

Export apple production is expected to reach 495,720 MT or 17.5 million Tray Carton Equivalents (TCE) in 1998/99, well up on last season's harvest of 13.9 million TCE. (Note: 1 TCE = 18.0 kilograms). The 1998/99 season has got off to a rough start in some areas. Fire blight has been problematic in the Hawke's Bay. Although above normal levels the outbreak's impact on production is as yet uncertain. There have been difficult climatic conditions (rain, wind) in the Nelson region.

Last season the apple crop was affected by severe drought conditions, particularly in the main growing region of the Hawke's Bay. The hot dry conditions of the El Nino weather pattern reduced the export apple harvest to 13.9 million TCE, down from an October 1997 estimate of 17.5 million TCE. Extreme heat throughout the New Zealand summer months resulted in sunburn, water core and poor color development.

Pipfruit growers are expected to receive an average N.Z.\$15 per TCE for new season fruit in 1998/99 compared to N.Z.\$14.17 per TCE in 1997/98. The Apple and Pear Marketing Board (APMB) expects to boost its payout to growers in the 1998/99 season by N.Z.\$70 million (U.S.\$35 million) to reach N.Z.\$268 million (U.S.\$134 million) through cost savings and increased sales.

Apple exports in 1998/99 are expected to bounce back to more normal levels (310,000 MT) after a short harvest in 1997/98 reduced exports 32 percent to 192,467 MT. New Zealand apples will be exported to India for the first time and more fruit is expected to be sent to Taiwan and North American markets. Although volumes remain small, exports of organically grown apples and pears are expected to gradually increase as growers are attracted by the high export premiums available for such fruit.

Grower planting choices continue to reflect international market demand - the highly colored strains of Braeburn, Gala and Royal Gala continue to be popular choices while Fiesta, virus infected Gala strains and low color Braeburn are removed. Although Pacific Rose is also a popular replacement choice, orchardists report it is a difficult variety to grow, with biennial bearing and russet their main problems with the variety.

In 1997/98 the APMB introduced new grade standards (A, B and C) to address fruit inventory and quality issues. Despite the short and difficult harvest conditions last season, the APMB maintained the new quality standards with only a few minor adjustments to color profiles. Under the new grading standards, the APMB aims to export 25 percent of the crop under A grade, 50 percent as B grade and the remaining 25 percent C grade fruit. This season the Board plans to widen the parameters of each grade to include cosmetic/color banding in Class I product, thus increasing the amount of fruit able to be exported under Class I.

In response to the New Zealand Government's May 1998 Budget request for all producer boards to develop plans for operating without statutory backing, the APMB has proposed significant restructuring. The Board's restructuring proposal has three key elements:

1. Separation of commercial activities from industry functions.
2. The APMB will position itself as a commission based commercial enterprise.
3. Growers are to be shareholders in cooperative-based APMB structure.

The Board also argues that keeping its single seller export business is essential for improving industry profitability. While the Board has presented its proposal to the Government, no decision regarding the removal of the Board's statutory marketing powers has been made.

The 1997/98 saw the APMB launch of the Looney Tunes campaign in the United Kingdom, Europe and Asia. A licensee's agreement with Warner Brothers allows the Board to use the Looney Tune characters to promote New Zealand apples as healthy, fun foods. The Board also launched its "Radical" campaign in North America last season, emphasizing the Board's role in developing new varieties. Looney tune merchandise and overseas family trips were key elements of the Looney Tune campaign.

Shipping costs are a substantial component of the Board's total export cost and last season saw the Board partner with the New Zealand Kiwifruit Marketing Board to negotiate reduced shipping rates. This APMB:KNZ alliance is expected to strengthen and develop as each Board prepares for deregulation. The Board will also be increasing the amount of fruit exported in bulk bins and packing on demand in-market, thus reducing packaging, repacking and transport costs.

SECTION II. STATISTICAL TABLES**PS&D TABLE - APPLES**

PSD Table						
Country:	New Zealand					
Commodity:	Apples					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		10/1996		10/1997		10/1998
Area Planted	12100	12100	12100	12100	0	12100
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	528552	528552	458190	439650	0	495720
Non-Comm. Production	40000	40000	40000	40000	0	40000
TOTAL Production	568552	568552	498190	479650	0	535720
TOTAL Imports	167	167	100	74	0	80
TOTAL SUPPLY	568719	568719	498290	479724	0	535800
Domestic Fresh Consump	53000	53000	53000	53000	0	53000
Exports, Fresh Only	286500	286500	235000	192467	0	310000
For Processing	229219	229219	210290	234257	0	172800
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	568719	568719	498290	479724	0	535800

PS&D TABLE - PEARS

PSD Table						
Country:	New Zealand					
Commodity:	Fresh Pears					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		10/1996		10/1997		10/1998
Area Planted	995	995	995	995	0	995
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	15700	15700	16220	16220	0	16220
Non-Comm. Production	4500	4500	4400	4400	0	4400
TOTAL Production	20200	20200	20620	20620	0	20620
TOTAL Imports	150	150	150	150	0	150
TOTAL SUPPLY	20350	20350	20770	20770	0	20770
Domestic Fresh Consump	12600	12600	12600	12600	0	12600
Exports, Fresh Only	4505	4505	4700	4938	0	4700
For Processing	3245	3245	3470	3232	0	3470
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	20350	20350	20770	20770	0	20770

PS&D TABLE - CONCENTRATED APPLE JUICE

PSD Table	Juice					
Country:	New Zealand					
Commodity:						
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin						
Deliv. To Processors	229219	229219	210290	234257	0	172800
Beginning Stocks	0	0	0	0	0	0
Production	23477	23477	22336	20791	0	19600
Imports	400	400	400	400	0	400
TOTAL SUPPLY	23877	23877	22736	21191	0	20000
Exports	20877	20877	19736	18191	0	17000
Domestic Consumption	3000	3000	3000	3000	0	3000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	23877	23877	22736	21191	0	20000

New Zealand Apple Exports (September Years, metric tons)				
<i>Destination</i>	<i>1995/96</i>	<i>1996/97</i>	<i>1997/98</i>	<i>1998/99f</i>
Other EU	94,497	90,659	69,586	95,000
United Kingdom	74,570	65,887	28,463	75,000
United States	52,919	54,257	40,173	55,000
Hong Kong	21,871	18,473	11,571	18,000
Singapore	15,079	12,709	9,607	12,000
Malaysia	6,473	5,823	2,227	3,500
Philippines	3,483	4,452	2,446	3,500
Germany	0	4,424	8,746	11,000
Thailand	4,912	4,266	852	1,500
Sweden	4,449	4,177	2,576	4,000
Spain	2,153	3,773	605	2,500
Taiwan	3,234	3,592	6,080	7,000
Russia	5,458	2,401	6,176	6,500
Vietnam	1,431	1,700	1,889	2,000
Canada	7,761	703	182	500
French Polynesia	501	655	551	700
Saudi Arabia	894	397	738	1,000
Other	10,485	8,120	5,196	11,300
TOTAL	310,170	286,469	192,467	310,000

Source: Statistics New Zealand.

N.Z. European Pear Exports Year ended September, metric tons				
<i>Destination</i>	<i>1995/96</i>	<i>1996/97</i>	<i>1997/98</i>	<i>1998/99f</i>
United States	481	2,100	2,504	2,100
United Kingdom	1,086	1,149	1,193	1,000
Other EU	1,168	635	331	900
French Polynesia	29	72	87	80
Fiji	0	23	2	10
Malaysia	0	38	0	10
Russia	0	0	614	250
Canada	559	421	0	150
Other	24	69	208	200
Total	3,347	4,505	4,938	4,700

Source: Statistics New Zealand.

N.Z. Nashi Pear Exports					
Year ended September, metric tons					
Destination	1994/95	1995/96	1996/97	1997/98	1998/99f
United States	327	223	158	154	170
United Kingdom	133	133	79	0	50
Other EU	46	35	48	58	60
Hong Kong	100	84	31	12	20
Indonesia	167	240	132	0	0
Malaysia	41	27	9	1	5
Singapore	126	177	49	34	40
Thailand	22	8	0	0	0
Canada	20	59	0	0	0
Other	55	81	25	42	55
Total	1,037	1,068	530	302	400

Source: Statistics New Zealand

N.Z. Concentrated Apple Juice Exports				
70 deg Brix, tons, September years				
Destination	1995/96	1996/97	1997/98	1998/99f
Japan	6,128	7,944	3,448	3,800
Australia	3,311	4,348	6,538	6,500
United States	4,030	8,138	7,521	6,100
Canada	93	115	330	300
Barbados	125	119	57	80
Singapore	43	89	85	90
United Kingdom	0	46	0	30
Malaysia	78	26	2	5
Hong Kong	147	46	82	85
Other	14	6	129	10
Total	13,968	20,877	18,191	17,000

Source: Statistics New Zealand.

ANALYSIS OF APMB RETURN TO GROWERS Year ended September 30, TCE: 18.0 kg tray carton equivalent				
	1998		1997	
	N.Z.\$000	per TCE	N.Z.\$000	per TCE
Sales Receipts	607,108	43.46	488,370	30.15
Plus Foreign Exchange Management Gains/(losses)	(75,784)	(5.42)	30,074	1.86
Less Overseas Paid Costs:				
Duty	(8,801)	(0.63)	(9,835)	(0.61)
Distribution & Storage	(31,758)	(2.28)	(33,796)	(2.09)
Advertising & Promotion	(15,588)	(1.12)	(10,497)	(0.64)
Offshore marketing, logistics & administration	(16,111)	(1.15)	(10,868)	(0.67)
Net Sales Proceeds Received in N.Z.	459,066	32.86	453,448	28.00
Less New Zealand Paid Costs:				
Packaging	(51,877)	(3.71)	(64,018)	(3.95)
Distribution, freight & shipping	(130,824)	(9.36)	(138,023)	(8.52)
Cool storage	(27,073)	(1.94)	(30,410)	(1.88)
Operations & marketing	(25,336)	(1.81)	(30,629)	(1.89)
Administration	(7,231)	(0.52)	(7,037)	(0.43)
Financing	(9,288)	(0.67)	(11,478)	(0.71)
Market Return	207,437	14.85	171,853	10.62
Less Industry "Good" Costs R & D, compliance, market access)	(9,390)	(0.67)	(6,416)	(0.40)
Less Taxation	(766)	(0.06)	(5,427)	(0.34)
Earnings from Fresh Fruit Export Pool	197,281	14.12	160,010	9.88
Plus Commercial & Investment Return Distributed	707	0.05	5,384	0.33
Net Surplus to Fresh Export Pool Growers	197,988	14.17	165,394	10.21

Source: N.Z. Apple & Pear Marketing Board Annual Report 1998.

NEW ZEALAND IMPORT TARIFFS (for years beginning July 1st)			
Tariff Code & Description	Normal Tariff Rate		
	July 1998	July 1999	July 2000
Fresh Apples HTS.: 0808.10.00	FREE	FREE	FREE
Fresh Pears HTS.: 0808.20.00	FREE	FREE	FREE
Apple Juice HTS.: 2009.70.01	7.5%	6.5%	5.0%
HTS.: 2009.70.09	6.5%	5.0%	5.0%
HTS.: 2009.70.11	8.0%	7.0%	5.0%
HTS.: 2009.70.19	7.5%	6.5%	5.0%
Preferential Tariff Notes: Australian juice imports are FREE under the Closer Economic Relations agreement between New Zealand and Australia. Canadian juice imports have preferential tariff rates of between 0% and 5%, falling to between 1.5 % and 4 % in 2000. LDC & LLDC also receive preferential tariff rates.			

Source: New Zealand Working Tariff Document.

N.Z.\$: U.S.\$ EXCHANGE RATE (Year-ended September 30 th , average mid-rates for period)	
1995/96	0.6770
1996/97	0.6853
1997/98	0.5594
1998/99f	0.5000

Source: Reserve Bank of New Zealand

SECTION III. SUPPLY, DEMAND, POLICY AND MARKETING

PRODUCTION - APPLES

PSD Table Changes

Commercial Apple Production 1997 has been revised to 439,650 MT to better reflect end-of-year industry estimates.

Apple Imports/Exports as reported by Statistics New Zealand for the year ended 30 September.

1998/99 Crop Shaping Up

Export apple production in 1998/99 is forecast reach 17.5 million cartons (495,720 metric tons), well up on last season's disastrous harvest of 13.9 million cartons (439,650 metric tons). The 1998/99 season has got off to a difficult start with Hawke's Bay growers troubled by the disease fire blight and Nelson crops being reduced by early hail and high winds. Hawke's Bay growers have been urged to act quickly to minimize an outbreak of fire blight in the region. The fire blight bacteria kills the spurs on which fruit grew, causing the fruit to drop off. The tips then turn black and formed into a hook shape, as if burnt. Warm spring temperatures have increased the incidence of the disease this season, said to be the worst since 1988. Meanwhile early flowering Braeburn, Cox's Orange and Royal Gala in Nelson have been affected by wet and windy conditions, which have stressed trees and resulted in poor bud development. In addition to poor fruit set and bud development, Nelson growers have also reported severe russet skin blemishes.

1997/98 Crop Slashed By El Nino

The hot, dry conditions of the El Nino weather pattern over 1997/98 hit the main apple producing region of the Hawke's Bay hard and reduced the export apple harvest to 13.9 million cartons, down from an October 1997 estimate of 17.5 million cartons. An unusually hot growing season combined with the introduction of new quality standards by the APMB made for a difficult pipfruit harvest. *See NZ8045 for further details.*

N.Z. Orchard Redevelopment Expected to Intensify

As orchard profitability continues to trend negatively, growers are removing low-returning varieties such as Red Delicious, Fiesta, virus-infected Royal Gala and low color Braeburn strains. The most popular replacement choices are Pacific Rose and the highly colored strains of Royal Gala.

Pipfruit growers are being encouraged to move to more intensive growing systems when redeveloping aged orchard blocks. Average planting rates in New Zealand are presently 666 trees per hectare but orchardists are being advised to aim for medium/high densities using dwarf rootstocks with tree numbers in the range of 1,250 to 2,000 per hectare. Medium/high tree densities are said to result in greater profitability by lowering costs and gaining higher fruit value, rather than any increase in yield.

Biennial bearing in the widely planted new variety Pacific Rose is a continuing problem and disappointment for growers. Pacific Rose has established itself with its excellent eating qualities on the local market demanding high domestic prices. Low export packouts have slowed down this variety's export development to date. Growers report that Pacific Rose is more difficult grow with biennial bearing and cosmetic faults such as russet. Pacific Rose fruit quality suffers if trees are over cropped and this in turn results in reduced flower initiation for the following season. Growers have been advised to complete hand thinning early and aim to harvest 80 percent of the crop in two picks. Pacific Rose also requires careful picking and handling to avoid puncture damage.

PRODUCTION - PEARS

PSD Table Changes

Pear Exports are fresh pear exports as reported by Statistics New Zealand for the year ended 30 September.

Commercial pear production in 1998/99 is expected to remain steady at 16,220 MT. Last season the hot, dry El Nino conditions delayed russet coloration to the Taylors Gold variety. The APMB required Taylors Gold pears have at least 85 percent russet to meet export standard. Last year the APMB introduced a lower standard that was sold separately, allowing more pears to be exported.

Nelson is the main pear growing area producing 50 percent of the Comice crop, 80 percent of the Buerre Bosc and 90-95 percent of the Taylors Gold variety. The Comice, Buerre Bosc and Taylors Gold varieties are grown primarily for export, while Winter Coles, Packham and Winter Nellis are consumed domestically. Yields in Nelson vary widely, ranging from 50 tons/ha to 100 tons/ha depending upon production practices. The Hawke's Bay is the secondary pear growing region.

PRODUCTION - CONCENTRATED APPLE JUICE

PSD Table Changes

Concentrated Apple Juice Production 1997 has been revised to reflect the lower volumes of pipfruit delivered to juicers as a result of the drought-damaged crop. Note that not all fruit delivered to processors is juiced.

Concentrated Apple Juice Exports 1997 have been revised to reflect Statistics New Zealand data.

Decreased volumes of pipfruit were submitted for processing in 1997/98 due to drought-damaged fruit being left on trees or sold as animal feed. Frucor Processors, the juicing arm of the APMB, is the largest producer of concentrated apple juice in New Zealand. Frucor Processors operates in four regions of New Zealand and has factories in Hawke's Bay, Nelson and Canterbury. It also produces significant volumes of carrot and kiwifruit concentrates. Apple juice production is expected to return to more normal levels at around 19,600 MT (concentrated, 70 degrees Brix) in 1998/99. Frucor expects to process around 150,000 MT of apples in 1998/99.

CONSUMPTION

Domestic apple consumption remains static at 3.0 million cartons and no significant growth is expected in the future. APMB's domestic marketing monopoly was removed January 1994. Since then growers have moved to market their own branded product (Yummy, Opey). Fruit destined for the domestic market is increasingly stored in controlled atmosphere facilities and is marketed as such.

TRADE

APMB Gets a Slice of India's Apple Action

The New Zealand Ministry of Foreign Affairs and Trade concluded consultations with India on the issue of a phase-out plan for import restrictions maintained for balance of payments reasons. Among other concessions India agreed to take 13,000 cases (234 MT) of apples each year until 2002, when restrictions on apple exports are due to end. Under the arrangement, New Zealand will supply apples to the Indian market from April through to October each year, counter-seasonal to India's season. New Zealand will also help upgrade India's apple stocks and assist in international marketing of Indian-grown apples.

Australian Ban on N.Z. Apples Continues

In December 1998 the Australian Quarantine and Inspection Service (AQIS) formally rejected an application by the N.Z. Ministry of Agriculture to import New Zealand apples, citing the potential risk of fire blight disease

being transmitted by the apples. The main findings of the AQIS risk analysis were:

- The impact of fire blight in Australia was likely to be high.
- Apples from New Zealand as proposed - mature apples, free of debris - could carry the fire blight bacteria.
- Scientific literature did not support the New Zealand claim that apples could not act as a vector for fire blight.
- The New Zealand application did not provide the level of protection Australia required for other high risk products.

At recent annual Closer Economic Relations Trade Ministers' Talks, Australian officials have agreed to reconsider the ban on New Zealand apples which began in 1922. The Australian Trade Minister has suggested that one option would be for certain areas of New Zealand be allowed to export apples to Australia after risk assessments had been carried out. Although no firm time line has been agreed to, both Ministers have indicated they expect an outcome in months rather than years.

POLICY

Apple & Pear Marketing Board Outlines Restructuring Plans

In the 1998 Budget, the Government announced its intention to review the statutory backing of New Zealand's agricultural industry Boards and invited the Boards to file plans for operating without statutory backing. These strategic plans for operating without statutory powers were due November 15, 1998. The New Zealand Apple and Pear Marketing Board has argued its monopoly exporter status is essential for improving industry profitability. Although the Apple and Pear Marketing Board has not released its plan publicly, its three key elements have been widely reported. These include:

- **Separation of commercial activities from industry functions resulting in transparency between the two.** The Board currently manages commercial and industry functions, but under the proposed structure it will focus only on commercial issues. The APMB has proposed that a single industry organization be created, encompassing Pipfruit Growers New Zealand Incorporated, FruitFed (pipfruit section) and the industry functions currently carried out by the Board. This organization (Pipfruit New Zealand/PNZ) would benefit the pipfruit industry by creating 'one voice' for pipfruit growers, removing costs of duplication, better focusing resources and increased leverage (scale). Pipfruit New Zealand would be responsible for:
 - *Market access/protocols:* For example, USDA requirements and Integrated Fruit Production programs.
 - *Promotion:* In a regulated environment promotion would be undertaken by ENZA. In deregulation PNZ would undertake generic promotion. Specific promotions would be undertaken on a user-pays basis.
 - *Research and Development:* PNZ would fund only generic R&D. Commercial R&D undertaken by the revamped ENZA would be at its own cost.

The Board believes PNZ should be established as an incorporated society and funded by a compulsory levy under the Commodity Levy Act.
- **The APMB (ENZA) will position itself as a commission based commercial enterprise.** The Board believes it is best positioned to leverage its incumbency and restructure itself into a commercial enterprise now. It will reduce the risk of doing so by growing the scope, scale and efficiency of its business. The revamped ENZA will extend its current activities to:
 - 12 month marketing.
 - Focus on apples and pears while extending the product mix in fresh produce.

- Use increased scale to lower unit costs.
 - Extend market coverage to reduce/spread exposure to single product source focus. The new ENZA will focus on using scale and incumbency to reduce shipping, packaging, offshore and logistics/overhead costs. This integrated approach will allow ENZA to manage the volume/crop uncertainty it currently faces.
- ' **Resolve ownership issues.**
The Board envisages that growers will be shareholders in the revamped ENZA, which will be structured as a cooperative initially. Share allocation will under cooperative rules, that is, based on the amount of fruit marketed through the Board. In the event of deregulation, growers would be able to choose between a cooperative model and a corporate form.

APMB Sells Subsidiary Company

In May 1998 the APMB sold its subsidiary consumer beverage company Frucor Beverages for N.Z.\$50.4 million (U.S.\$28.1 million). This represented a capital gain of N.Z.\$27.73 million (U.S.\$15.5 million) which the Board has used to retire debt. The Board distributed N.Z.\$4.4 million (US\$2.4 million or N.Z.\$0.315/TCE) to growers in November 1998 reflecting the retained earnings of Frucor Beverages. The Board will decide whether to return any surplus capital from the sale once details of its future structure are clear and when it has determined its capital requirements.

1997/98 APMB Grower Payout Increases

New Zealand pipfruit growers are expected to receive an average return of N.Z.\$15.00/ TCE in the 1998/99 season. This season pipfruit growers received an average return of N.Z.\$14.17/TCE for 1997/98 fruit - a 38 percent increase over the average N.Z.\$10.21/TCE paid to growers in 1996/97. The Board reports prices in Asia were on average N.Z.\$10.50/TCE higher than the previous year and in the United Kingdom prices were up by N.Z.\$9.38/TCE. Prices for fruit exported to the United States were up N.Z.\$7.55/TCE compared to the previous year. As reported in NZ8045, there was a loss of N.Z.\$5.42/TCE due to foreign exchange losses as the Board was hit by a sudden drop in the value of the New Zealand dollar. The Board's foreign exchange loss was exacerbated by the final crop being just 13.9 million cartons compared with an expected 17.5 million cartons. See Section II : Statistical Tables: APMB Payout Analysis.

Fresh Fruit Prices Paid to Suppliers \$N.Z. per 18.0 kg TCE, September years	
1995-96	\$12.20
1996-97	\$10.24
1997-98	\$14.17
1998-99f**	\$15.00
TCE : Tray Carton Equivalent. ** - post estimate. Source: APMB.	

1999 Pipfruit Levy Set

The levy rate for the levy year ended October 31, 1999 is N.Z.\$0.02 per TCE plus 12.5 percent Goods and Services Tax (GST). This applies to all fruit and not just export cartons. There is a minimum levy payable of

N.Z.\$150.00 plus GST and a maximum levy payable of N.Z.\$2,000.00 plus GST. The levy is payable by growers who produced 1,000 TCE's or more of apples and/or European pears in the 1997/98 season. The levy is applied under the Commodity Levy (Pipfruit) Order 1996 and is payable to Pipfruit Growers New Zealand Incorporated.

MARKETING

Marketing Infrastructure/Channels

Together with Zespri International (the marketing arm of the New Zealand Kiwifruit Marketing Board), the APMB has been able to negotiate reduced shipping rates and achieve a balance between traditional charter businesses and container lines. The Board reports this has resulted in greater rate stability and market flexibility.

The Board is increasingly shipping fruit in bulk bins and packing on demand. The number of bins used has increased from 7,500 in 1997 to 56,000 in 1998, with more expected to be used in 1999. This use of bins reduced packing, packaging and transport costs as well as improving quality and presentation. Bin exports also allow the Board to make decisions about packaging, labeling and branding to be made in the market place. In 1998 the Board shipped more than 30 percent of the export crop in containers compared to around 15 percent last year. Approximately 70 percent of these containers were shipped via Singapore, allowing the APMB to make market allocations later in the distribution chain. Use of controlled atmosphere (CA) storage increased in 1998 and nearly 100 percent of the Cox Orange Pippin crop was exported in CA containers.

In October 1998 the Board implemented a new integrated management software system called SAP which covers five key areas: planning and marketing; logistics; sales and cash collection; purchasing and payments; and finance. Had the SAP system been in place for the 1997/98 season, it would have been able to keep account of the 13.9 million TCE export submissions from 2000 growers, and kept track of payments through 150 regular pools and up to 100 special pools, as well as international sales in relevant currencies and paid the Boards 1700 service providers. The system is year 2000 compliant.

APMB Export Quality Standards

The 1998 season saw the implementation of strict new grade standards by the APMB to better manage inventory and apple quality issues. In each variety, the APMB introduced three grade standards (A, B, and C) based on factors such as fruit firmness, Brix and calcium levels. A profile fruit has the longest keeping qualities while C profile fruit has the shortest and must be marketed first. While growers supplying A profile fruit receive a premium over B and C profile fruit, they have an increased "window of responsibility" for that fruit. Penalties (or clawbacks) are charged to growers for fruit that fails inspection at submission, upon arrival in foreign markets and failure at the pre-delivery check. Of the total export crop of 13.9 million TCE's, 25 percent of fruit was exported under A profile, 50 percent as B profile and the remaining 25 percent C profile.

APMB Promotion Activities

The APMB launched two major promotions in 1997/98 - "Radical" in North America, and "Looney Tunes" in the United Kingdom, Europe and Asia. The "Radical" campaign emphasized APMB's role in developing new tastes, textures and colors for apples and pears and introduced new varieties such as Pacific Rose, Southern Rose and Taylor's Gold to North American markets. An licensee's agreement with Warner Brothers allows the Board to use Looney Tune characters in promotional material in Europe, the United Kingdom and Asia. The "Looney Tune" campaign uses the Looney characters to promote apples as healthy, fun foods. In the United Kingdom customers were given the opportunity earn World Cup soccer merchandise by collecting special

Looney Tunes or standard ENZA fruit labels. Asian consumers were able to redeem Looney Tune or ENZA stickers for Looney Tunes merchandise and enter a monthly prize draw for a family trip to Australia.

Northern Hemisphere Program: 12 Month Marketing

The APMB is trailing New Zealand-unique varieties of apples and pears in France and the United States with the aim of supplying such varieties on a 12 month basis. Known as the Northern Hemisphere Program (NHP), the APMB has been exporting budwood from some of New Zealand's newest apple varieties to overseas nurseries. Quantities of Pacific Rose, Southern Snap and two unnamed Gala-Splendour crosses, GS 58 and GS 494, are being trailed in France and Washington State (U.S.) under strictly controlled conditions. The Pacific Rose variety being trailed in France was not performing well because of russet problems and bi-annual bearing. The United States program is not so far advanced. The Board expects to have commercial quantities of fruit within five years. Each variety is legally protected under a plant patent or a Plant Variety Right (PVR). A PVR permits the owner of a variety to control its release through licensing, and to charge royalties.

APMB Joint Venture With Chiquita

In September 1998 the APMB, through its Chilean subsidiary Zeus Service SA, formed a joint venture with Exportadora Chiquita, the Chilean subsidiary of Chiquita Brand International. The Board says the joint venture company, Chiquita-ENZA Chile Limitada, will move the Board towards a 12 month marketer of pipfruit and horticultural products. The joint venture will allow for operational savings to be made through cooperation.

Situation & Outlook

New Zealand pipfruit exports are expected to increase significantly to 310,000 MT in 1998/99 compared to the previous season's exports of just 192,467 MT. Last season most of the Board's major export destinations received much smaller volumes of New Zealand apples than usual reflecting the reduced harvest. In contrast, exports to some smaller markets such as Germany, Taiwan, and Russia all experienced growth. The Board reports that demand for its best eating, bi-colored apple varieties - Braeburn, Gala and Royal Gala - was strong last season while more traditional varieties of Red Delicious and Granny Smith had weak demand.

In the 1998/99 season the Board plans to widen the parameters of each grade standard to include cosmetic/color banding in Class 1 product, thus increasing the options available for exporting fruit. For example, fruit graded Class I export fruit but which has not colored up as much as expected, will be separated out and sent to less discerning markets that will accept less colored fruit and but still pay close to the normal Class I price. This will increase the amount of fruit able to be exported under the Class I program over the new season.

The short crop in 1997/98 saw the Board unable to fulfil a supply contract with the British supermarket chain TESCO. As a result Tesco buyers visited New Zealand in August 1988 and now have supply arrangements in place with designated packhouses. Other European retail chains are expected to reach down into the distribution channel and deal direct with growers and packhouses via the Board. Some in the industry see the move by Tesco as preparing for a deregulated environment where buyers can deal directly with growers and packhouses.

Increasing volumes of organically produced apples and pears are likely to be exported by New Zealand in the future. Over the 1997/98 season 12 Hawke's Bay growers registered with Bio-Gro and converted their orchards to organic production. Hawke's Bay based Freshco has been given consent to export 20,000 cartons (360 MT) of organic apples in 1998/99, the same as last year, and 130,000 cartons (2,700 MT) of transitional organic fruit. HortResearch is also growing organic fruit for export and reports that premiums for organic export apples were over 100 percent the APMB average TCE payout.