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Report Highlights:

New Zealand is forecast to produce a near record apple crop in 2020/2021 as a result of expanded area and positive growing conditions so far. However, COVID-19 related issues, and especially border restrictions, are creating uncertainty regarding the industry having sufficient labor for pruning, thinning and particularly for harvest. Apple production is forecast at 583,000 metric tons in 2020/2021, down less than one percent from the previous year. Exports are forecast at 390,000 metric tons, down slightly from the record shipments of 2019/2020.

Executive Summary

New Zealand is forecast to produce a near record apple crop in 2020/2021 as a result of expanded area and positive growing conditions so far. However, COVID-19 related issues, and especially border restrictions, are creating uncertainty regarding the industry having sufficient labor for pruning, thinning and particularly for harvest. Apple production is forecast in 2020/2021 to be down less than 1 percent from the previous year, and exports are also forecast down slightly from the record shipments of 2019/2020.

Apple harvested area in New Zealand for 2020/2021 is forecast at 10,300 hectares (ha), 1.2 percent up on 2019/2020. Due to COVID-19-related uncertainty, growers have removed some low performing orchard blocks and may elect to not harvest other orchard blocks. With a high level of uncertainty surrounding the labor supply for the 2020/2021 harvest, total apple production is being conservatively forecast at 583,000 metric tons (MT), 0.7 percent less than 2019/2020. The harvest labor supply comes from three sources: 1) a Recognized Seasonal Employer (RSE) scheme which allows for short term workers from the Pacific islands; 2) short-term international visitors with work visas; and 3) domestic seasonal workers. At this stage all three sources are severely limited as a result of the COVID-19 response and border restrictions.

The 2019/2020 total apple production estimate has been revised down to 587,000 metric tons (MT), as COVID-19 disruptions during harvesting and packing slightly reduced production prospects. This estimate is still four percent greater than 2018/2019, and the year-on-year increase is due to an expanded harvested area and a positive growing season. The sector was deemed an essential industry by the government during the COVID-19 response lockdown and the business restriction period in late March through May 2020, but some of the restrictions did impact on orchard and pack house efficiency.

2020/2021 exports are forecast at 390,000 MT, about two percent less than 2019/2020. If labor shortages do impact on the harvest, this would directly affect the volume of exports. The apple export estimate for 2019/2020 is revised down slightly to 397,000 MT, still 1.5 percent greater than 2018/2019. The increase in apple production had the potential to significantly boost exports, however the disruptions caused by COVID-19 and the Government response to it has reduced the estimated increase in export volume.

For 2020/2021, the total volume of apples domestically consumed is forecast at 193,500 MT, 1.5 percent up on 2019/2020. Fresh consumption of apples is forecast at 73,500 MT for 2020/2021 and the volume going to processing is forecast at 120,000 MT.

For pears, 2020/2021 total production in New Zealand is forecast at 12,700 MT, the same as 2019/2020 based on an expected stable harvested area. For 2019/2020, FAS/Wellington is estimating total pear production at nearly one percent greater than 2018/2019. The good growing season boosted the potential for a bigger crop but the disruptions caused by COVID-19 at harvest time reduced the potential

gains. Pear exports are forecast at 3,700 MT for 2020/2021, and for 2019/2020 are revised down to 2,750 MT - 30 percent less than 2018/2019.

Note: The Marketing Year is from Jan 1 to Dec 31, so MY 2019/2020 will be shown as 2019/2020 and refers to Jan 1, 2020 to Dec 31, 2020 in the text to conform to Northern Hemisphere country marketing years.

Apples

Planted and Harvested Area

New plantings and expanding area have continued in 2019/2020 and this trend is likely to occur in 2020/2021 as well. FAS/Wellington is forecasting that the planted apple area for 2020/2021 will be 11,050 ha, up three percent on the 10,725 ha estimated for 2019/2020. Anecdotal reports have it that all the trees ordered from the nurseries for planting in 2019/2020 have been collected and planted. However, it is likely there is somewhat of a shift toward replanting older poor performing orchard blocks rather than green field plantings.

Deciduous Fruit Plantings in New Zealand by Variety (in Hectares)										
Calendar Year of Harvest	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Braeburn	1740	1589	1504	1381	1352	1303	1239	1199	1111	964
Cox	236	203	178	150	134	121	111	101	81	
Cripps Pink/Pink Lady	434	446	459	443	461	523	562	606	655	717
Dazzle										280
Envy	174	272	285	315	346	416	544	610	733	856
Fuji	970	934	906	832	837	858	831	854	848	822
Granny Smith	256	256	246	240	219	233	231	247	230	250
Honey Crisp							141	152	140	139
Jazz	983	943	905	869	855	825	821	807	844	868
Koru							120	150	160	150
Pacific Beauty	127	120	113	92	84	83	71	56	49	
Pacific Queen	291	351	456	622	730	827	878	880	862	859
Pacific Rose	399	396	390	379	364	365	342	321	260	227
Pacific series Sub-Total	817	867	959	1,093	1,178	1,275	1,291	1,257	1,171	1,086
Rockit										272
Royal Gala & sports	2423	2369	2386	2337	2410	2549	2604	2708	2859	2853
Other Varieties	376	385	484	709	790	707	643	759	972	817
Total Apple Area	8,409	8,264	8,312	8,369	8,582	8,810	9,138	9,450	9,804	10,074
Total Pear Area	473	441	448	403	407	403	371	361	375	342
Unregistered				383	320	384	395	409	425	442
Total	8,882	8,705	8,760	9,155	9,309	9,597	9,904	10,220	10,604	10,858
Braeburn as % of Apple Area	20.7%	19.2%	18.1%	16.5%	15.8%	14.8%	13.6%	12.7%	11.3%	9.6%
Royal Gala as % of Apple Area	28.8%	28.7%	28.7%	27.9%	28.1%	28.9%	28.5%	28.7%	29.2%	28.3%

Source: NZAPI Survey

Note: The unregistered area includes planted area not currently producing fruit for export. Also the PSD harvested area includes an estimated non-commercial area.

Apple harvested area is forecasted to rise to 10,300 ha in 2020/2021, a 1.2 percent increase over 2019/2020. This increase is expected to be significantly less than that of planted area. With uncertainty being a key factor this year some growers have already removed low performing orchard blocks and there may be some orchard blocks that will not be harvested if labor supply shortages become a reality. As a result, it is likely growth in harvested area will slow, especially compared to the last eight years where there has been a compound average growth rate of 3.5 percent (source: NZ Apples & Pears Inc 2019 statistical report).

Newer, more productive varieties including Dazzle™, Envy™, and Rockit™ continue to replace older varieties such as Braeburn, Cox, Pacific Beauty™ and Pacific Rose™. Due to the significant reduction in Cox's Orange and Pacific Beauty over the last few years the NZAPI statistics report now only includes them in the 'Other Apples' category. This category has also been expanding with a range of other and newer varieties also included. Six out of the top ten export varieties (and over 75 percent of the total export volume) are New Zealand-bred apple cultivars. There is currently nearly 500 ha of the small snack sized Rockit™ apple planted and there are plans that approximately 100 ha per year will be planted in each of the next two years.

Production

2020/2021

Total apple production for 2020/2021 is forecast at 583,000 MT, 0.7 percent less than 2019/2020. On the one hand, the potential is there for the 2020/2021 harvest to reach another record as a result of additional harvested area and reportedly good flower bloom. On the other hand, unprecedented levels of uncertainty are hugely impacting the sector. One factor is that COVID-19 is causing more than the normal level of uncertainty in key export markets. In addition, and likely more importantly, is the risk that orchardists will not have sufficient staff to complete hand thinning satisfactorily, or to actually fully harvest the crop. These downside risks are the primary reason for production being forecast lower slightly in 2020/21.

With expected labor shortages, orchard managers are more likely to use chemical thinning more aggressively this year to reduce the amount of hand thinning needed. For harvest, industry analysts estimate that the sector needs seasonal labor of 20,000 to 21,000 people. Previously, this has consisted of approximately 7,000 people travelling down from the Pacific islands under the Recognized Seasonal Employer (RSE) scheme for periods of three to nine months each year. The balance has come from New Zealanders looking for seasonal work and also from short-term visitors from abroad with temporary work visas. The advent of COVID-19 and the Government's response (including border closures) has drastically disrupted this pattern.

While the RSE scheme for 2020/2021 has been approved in principle, there has been no approval by the health or immigration authorities to give these workers entry waivers under the COVID-19 immigration rules (which have essentially banned all but New Zealand citizens or permanent residence visa holders

from entry). By the end of September there were still approximately 5,000 RSE workers left in New Zealand, however a significant proportion (perhaps 15-30 percent) of these workers are expected to want to return home over the next few months. The number of short-term work visa visitors has dwindled from pre-COVID-19 numbers of 50-55,000 people down to less than 11,000. Only a small proportion of these people left are expected to work in the deciduous fruit sector. Even prior to COVID-19 it was getting increasingly difficult to hire enough New Zealand residents for seasonal work as unemployment was down to low levels. While the COVID-19 response has caused an increase in unemployment, the capacity for the newly unemployed to take advantage of the opportunities for seasonal work looks to be limited.

At this stage the sector is faced with having less than half of the staffing it needs for harvest. To try and mitigate this, efforts are ongoing to encourage New Zealand students and the newly graduated to take up these work opportunities. In addition, the Government is being lobbied to modify the COVID-19 immigration regulations slightly to let in extra essential workers.

2019/2020

Total apple production for 2019/2020 has been revised down to 587,000 MT as a result of some orchard blocks of apples not actually being harvested. This was due to difficulties encountered during the COVID-19 response lockdown period, which coincided with the end of harvest. Even this slightly reduced estimate for production is still four percent ahead of the production in 2018/2019 and a record. The increase over 2018/2019 is primarily the result of the expanded harvested area and a good growing season. The strong growing season, especially the dry warm period leading up to harvest, ensured great fruit color and the fruit being generally larger in size. The harvest was completed by mid-May 2020.

The COVID-19 response in New Zealand did impact on the sector in reducing the potential for an even larger rise in production. New Zealand Apples & Pears Inc (NZAPI) reported that while the horticulture sector was considered essential to keep running during the COVID-19 nationwide lockdown (March 27 to April 29), there were strict requirements for social distancing and individual staff protection. This meant that the capacity in the pack sheds was constrained and pack shed owners and managers had to re-engineer pack sheds to enable people to keep these distances. NZAPI went on to report that throughput at individual pack sheds was down by at least five percent, and in some cases up to 50 percent. A common throughput reduction across the industry is thought to have been about 20 percent. This slower throughput in April meant harvest progression was interrupted at times, resulting in reports that some growers of lower value apples, especially Braeburn, elected to leave some unharvested. Since April 29 until the end of the harvest season, the social distancing rules were relaxed from two meters down to one meter, which allowed pack sheds to significantly improve throughput. There were no cases of COVID-19 confirmed throughout the sector. Currently New Zealand is at COVID-19 response “level 1”, meaning there is no social distancing necessary in the packhouses.

2018/2019

The 2018/2019 apple harvest estimate has been revised downward to 563,000 MT based on new information released by NZAPI. This would be two percent less than the volume produced in 2017/2018. Average fruit size in 2019 was one of the smallest on record. This was attributed to many factors including the heavy crop loading, insufficient pruning and chemical thinning, frosts, and a shorter growing season.

Production, Supply, and Distribution Table – Apple

Apples, Fresh	2018/2019		2019/2020		2020/2021	
Market Year Begins	Jan 2019		Jan 2020		Jan 2021	
New Zealand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (HA)	10315	10315	10725	10725	0	11050
Area Harvested (HA)	9835	9905	10180	10180	0	10300
Bearing Trees (1000 TREES)	0	0	0	0	0	0
Non-Bearing Trees (1000 TREES)	0	0	0	0	0	0
Total Trees (1000 TREES)	0	0	0	0	0	0
Commercial Production (MT)	573850	560000	590000	584000	0	580000
Non-Comm. Production (MT)	3000	3000	3000	3000	0	3000
Production (MT)	576850	563000	593000	587000	0	583000
Imports (MT)	600	617	400	600	0	500
Total Supply (MT)	577450	563617	593400	587600	0	583500
Domestic Consumption (MT)	184250	172675	193400	190600	0	193500
Exports (MT)	393200	390942	400000	397000	0	390000
Withdrawal From Market (MT)	0	0	0	0	0	0
Total Distribution (MT)	577450	563617	593400	587600	0	583500
(HA) ,(1000 TREES) ,(MT)						

Note: Data included in this report is not official USDA data. Official data can be found at http://www.fas.usda.gov/psd

Consumption

FAS/Wellington forecasts total apple domestic consumption in 2020/2021 to be 193,500 MT, 1.5 percent greater than 2019/2020. Of this total 73,500 MT would be for fresh consumption, which is relatively stable and amounts to approximately 12 percent of the total crop produced. The balance of domestic consumption is for processing, which is forecast at 120,000 MT for 2020/2021, nearly three percent up on the previous year. The volume processed can range from 100,000 MT to 130,000 MT from year to year depending on the proportion of the total crop grading as export quality, and whether the lack of profitability of a particular cultivar or orchard block make it not worth grading for export. As older orchard blocks are replaced with modern cultivars and growing systems the proportion of the total crop going to processing is reducing. However, it is likely that in in 2021 as a result of the pressure on the supply of harvest labor, proportion of the crop going to processing could rise.

A range of apple products are produced in New Zealand such as juice, juice concentrates, diced and sliced apples, apple puree, and apple paste. Most of these products are for export, and the major product is apple juice, with approximately six million liters being exported annually. Australia and the United States are the largest markets for New Zealand apple juice.

Total domestic consumption for 2019/2020 is estimated at 190,600 MT up 10.4 percent on the previous year due to increased processing. Fresh apple consumption in 2019/2020 is estimated at 74,000 MT and has remained firm despite COVID-19. Much of the distribution of apples in New Zealand is through supermarket channels, and these stayed open right through the lock-down phase of the COVID-19 response.

The 2019/2020 apple processing volume is estimated at 116,600 MT, which would be 16.6 percent up on the revised estimate of 100,000 MT for 2018/2019. This is due to two factors. First, the overall increase in production is resulting in more for processing. Second, the proportion of the total crop being graded export-quality was down compared to 2018/2019, increasing the amount going for processing.

Trade

Exports

2020/2021

For 2020/2021, New Zealand apple exports are forecast at 390,000 MT, which would be 1.8 percent less than 2019/2020. This is a result of the lower production forecast. The downside risks to apple production, especially due to any labor shortages during harvest, would directly impact the volume of exports since around 70 percent of New Zealand apples are exported fresh.

New Zealand's apple exports are very diversified, with strong volumes going to Asia, the European Union, the United Kingdom, and the United States. Volumes are expected to stay relatively stable in 2020/21 to these destinations, and only expected to change marginally in response to pricing changes.

The medium-term trend, however, has seen the expansion in New Zealand exports primarily to Asian markets (in particular China). Generally, tastes in many of these markets are drawn to highly colored (red), and sweeter apples. New Zealand has been shifting over to production of these types of apple varieties to a significant degree. Because of this, volumes to Asia are expected to continue to increase in the future.

New Zealand growers and exporters are very concerned with the increased level of uncertainty in key export markets and the influence these countries' responses to COVID-19 may have on consumer purchasing behavior.

2019/2020

The volume of exports shipped in 2019/2020 has been revised down slightly to an estimated 397,000 MT, still a record and 1.5 percent greater than 2018/2019. The disruptions at harvest caused by the COVID-19 response meant that perhaps a few thousand tons of apples went unharvested, resulting in the reduction to the estimated export volume.

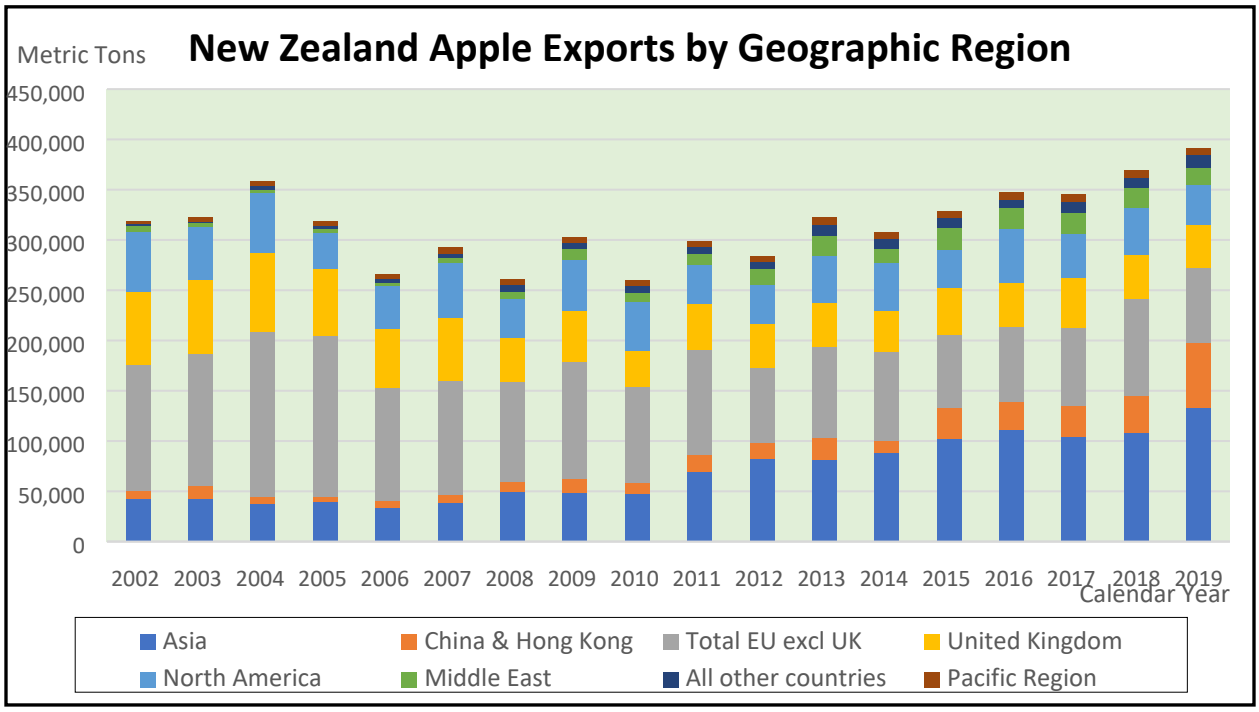
New Zealand Export Statistics for Fresh Apples								
Destination Country	Annual Total Quantity (MT) by Calendar Year					January-September QTY (MT)		
	2015	2016	2017	2018	2019	2019	2020	%Δ 2020/19
Total for E.U.	71,935	75,040	78,310	96,280	74,496	74,496	77,947	4.6%
China	20,331	17,491	16,586	22,171	45,015	44,849	37,938	-15.4%
United Kingdom	47,236	42,925	49,237	44,665	43,299	43,299	39,449	-8.9%
United States	32,070	48,625	38,220	40,462	33,883	33,883	28,494	-15.9%
Thailand	30,141	24,889	23,605	18,654	32,890	31,239	22,688	-27.4%
Vietnam	4,248	8,316	13,311	18,149	25,874	25,498	30,541	19.8%
Taiwan	22,096	32,183	23,673	22,437	20,858	20,842	26,833	28.7%
Hong Kong	10,599	10,183	13,416	14,074	19,010	18,607	15,376	-17.4%
India	15,007	13,253	9,667	25,787	17,068	16,929	22,004	30.0%
United Arab Emirates	18,764	17,785	18,178	15,424	14,198	13,862	18,275	31.8%
Russia	7,821	5,757	8,168	8,152	8,992	8,992	21,443	142.25
Rest of the World	48,783	50,466	52,559	43,134	55,359	52,977	52,932	-0.1%
World Total	**329,031**	**346,913**	**344,930**	**369,389**	**390,942**	**385,473**	**393,920**	**2.2%**

Source: Trade Data Monitor LLB

During the first nine months of 2019/20, total exports are up 2.2 percent compared to the same period the previous year. The European Union has remained the largest market, with exports up 4.6 percent. Russia has seen the most dramatic increase in shipments, which are up 142 percent during this period.

Shipments to China, which more than doubled in 2018/19, are down 15.4 percent. Most of this has been a result of slumping sales since March as prices in China decreased below other destinations. Many of the wet markets which previously have handled significant volumes of New Zealand apples had closed because of the COVID-19 response. Pivoting quickly to online marketing and delivery is seen by the New Zealand exporters to be important in being able to at least maintain and preferably increase the volume of exports.

Apple exporters have reported that the effects of the COVID-19 pandemic and various countries' responses to it disrupted supply chains and sales programs. These programs are typically planned well in advance and involve a regular series of shipments. However, there are reports that these programs have shifted and importers are increasingly importing and purchasing apple supplies "hand to mouth".



Source: Trade Data Monitor LLB

Imports

New Zealand only imports very limited quantities of apples. However, imports from the United States did increase in 2019 and at this stage look to be higher in 2020 as well. The United States usually accounts for nearly all of apple imports.

New Zealand Import Statistics for Fresh Apples							
Origin Country	Annual Quantity (MT) by Calendar Year					January-September QTY (MT)	
	2015	2016	2017	2018	2019	2019	2020
United States	173	281	414	152	467	0	183
New Zealand (customs re-entry)	1	42	43	0	150	48	149
Poland	0	0	0	12	0	0	0
Italy	0	0	25	0	0	0	0
World Total	**174**	**323**	**482**	**164**	**617**	**48**	**332**

Source: Trade Data Monitor LLB

Pears

Planted and Harvested Area

FAS/Wellington estimates 2020/2021 pear harvested area to be the same as 2019/2020 at 350 ha. Despite an upward bump in area in 2018/19 there has been a downward trend for pear area since 2011. New varieties, such as "Peeka Boo", have been replacing old varieties and offer significantly greater yields as a result of modern genetics and more intensive planting systems.

Production

FAS/Wellington is forecasting total pear production for 2020/2021 at 12,700 MT, the same as 2019/2020. With harvested area expected to be stable, and no significant weather events having impacted the crop so far, production is expected to remain steady from the previous year.

For 2019/2020, FAS/Wellington has revised total pear production down slightly to 12,700 MT, which is still nearly one percent greater than 2018/2019. Although a good growing season boosted the potential for a bigger crop, disruptions caused by COVID-19 at harvest time reduced the production potential.

Production, Supply, and Distribution Table - Pears

Pears, Fresh	2018/2019		2019/2020		2020/2021	
Market Year Begins	Jan 2019		Jan 2020		Jan 2021	
New Zealand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (HA)	402	402	370	375	0	375
Area Harvested (HA)	385	385	352	350	0	350
Bearing Trees (1000 TREES)	0	0	0	0	0	0
Non-Bearing Trees (1000 TREES)	0	0	0	0	0	0
Total Trees (1000 TREES)	0	0	0	0	0	0
Commercial Production (MT)	12385	12385	12950	12500	0	12500
Non-Comm. Production (MT)	200	200	200	200	0	200
Production (MT)	12585	12585	13150	12700	0	12700
Imports (MT)	3900	3949	4000	4500	0	4000
Total Supply (MT)	16485	16534	17150	17200	0	16700
Domestic Consumption (MT)	12585	12600	13150	14450	0	13000
Exports (MT)	3900	3934	4000	2750	0	3700
Withdrawal From Market (MT)	0	0	0	0	0	0
Total Distribution (MT)	16485	16534	17150	17200	0	16700
(HA) ,(1000 TREES) ,(MT)						

Note: Data included in this report is not official USDA data. Official data can be found at http://www.fas.usda.gov/psd

Consumption

Total pear domestic consumption for 2020/2021 is forecast at 13,000 MT, ten percent below 2019/2020 due to lower processing. Fresh domestic consumption is likely to be stable 11,000 MT. However, pear processing is forecast to reduce back to a normal level of 2,000 MT, down from an estimated processing

volume of 3,450 MT in 2019/2020. This processing level had been elevated as COVID-19 disruptions at harvest time reduced the proportion of the crop for exports.

Trade

Exports

FAS/Wellington is forecasting pear exports in 2020/21 at 3,700 MT. Although this is a 35 percent increase on the revised number for 2019/2020, it is a return to near the five-year average level. 2019/20 exports, estimated at 2,750 MT, are abnormally low on account of COVID-19 related disruptions at harvest time, which reduced both total production and the proportion that was packed for export.

New Zealand Export Statistics For Fresh Pears								
Destination Country	Annual Total Quantity (MT) by Calendar Year					January-September QTY (MT)		
	2015	2016	2017	2018	2019	2019	2020	%Δ 2020/19
Taiwan	846	1,662	1,226	1,865	1,540	1,540	969	-37.1%
United States	1,102	1,121	1,072	1,264	673	673	503	-25.3%
China	151	45	326	497	647	647	206	-68.2%
Fiji	119	251	101	137	199	181	126	-30.4%
United Kingdom	644	280	282	236	193	193	157	-18.7%
Canada	250	112	105	122	137	137	97	-29.2%
Tonga	68	84	122	106	98	80	95	18.8%
French Polynesia	62	93	83	68	90	78	92	17.9%
Singapore	121	103	117	50	72	72	69	-4.2%
Hong Kong	467	471	69	34	59	58	38	-34.5%
Rest of World	357	390	282	433	226	208	286	37.5%
World Total	**4,187**	**4,612**	**3,785**	**4,812**	**3,934**	**3,867**	**2,638**	**-31.8%**

Source: Trade Data Monitor LLB

Imports

New Zealand Import Statistics for Pears								
Origin Country	Quantity (MT) by Calendar Year					January-September QTY (MT)		
	2015	2016	2017	2018	2019	2019	2020	%Δ 2020/19
Australia	2,839	2,108	3,171	2,707	2,822	1,589	1,725	9%
China	423	505	718	500	576	223	442	98%
United States	777	513	572	359	455	0	39	
South Korea	89	106	93	84	97	30	37	23%
Italy	0	0	4	0	0	0	0	
World Total	**4,129**	**3,231**	**4,559**	**3,650**	**3,949**	**1,842**	**2,243**	22%

Source: Trade Data Monitor LLB

For 2020/2021, FAS/Wellington is forecasting pear imports at 4,000 MT, 11 percent below 2019/2020 but close to the five-year average. For 2019/2020, pear imports have been revised to 4,500 MT, 14 percent above 2018/2019 on account of the strong import volumes for the first nine months of the year.

Attachments:

No Attachments