

Required Report: Required - Public Distribution

Date: May 17, 2024

Report Number: NZ2024-0002

Report Name: Fresh Deciduous Fruit Semi-annual

Country: New Zealand

Post: Wellington

Report Category: Fresh Deciduous Fruit

Prepared By: Robere Hall

Approved By: Gerald Smith

Report Highlights:

New Zealand's apple planted area in the 2023/2024 market year (MY) is forecast to be 9,200 hectares (ha), a substantial drop from 11,000 ha at the start of the 2022/2023 MY. This is due to the impacts of Cyclone Gabrielle, which brought large-scale floodwaters, silt, debris, wind, and surface flooding to the primary apple growing regions of Hawkes Bay and Gisborne. Orchards in this region were damaged so severely that tree stocks were not viable for future production or were destroyed completely.

FAS/Wellington is forecasting apple production in the 2023/2024 MY to be 480,000 metric tons (MT). This represents a predicted recovery due to the following - the El Niño weather pattern, availability of seasonal labor, and implementation of farm system innovations. Domestic demand for pears in New Zealand continues to outstrip domestic supply. As a result, New Zealand imports fresh pears annually to meet its market demand.

Executive Summary

New Zealand's apple planted area in the 2023/2024 market year (MY) is forecast to be 9,200 hectares (ha), a substantial drop from 11,000 ha at the start of the 2022/2023 MY. This is a result of the impacts of Cyclone Gabrielle, which brought large-scale floodwaters, silt, debris, wind, and surface flooding to the primary apple growing regions of Hawkes Bay and Gisborne. Orchards in this region were damaged so severely that tree stocks were not viable for future production or was destroyed completely.

FAS/Wellington forecasts apple production in the 2023/2024 MY to be 480,000 metric tons (MT). This represents a predicted recovery due to the 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 are now growing a full crop.

Still behind historical volumes, FAS/Wellington forecasts a recovery in the 2023/2024 MY fresh apple exports following the damage incurred in the previous year, which concluded at 309,084 MT. New Zealand remains at an advantage by having a counter seasonal production to other countries; as a result, market demand will continue to stay strong. Export priorities are projected to continue to focus on Asian markets such as Vietnam, Taiwan, and China, including 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 anticipates diminishing hectares for older varieties such as Braeburn in favor of newer varieties such as Rockit.

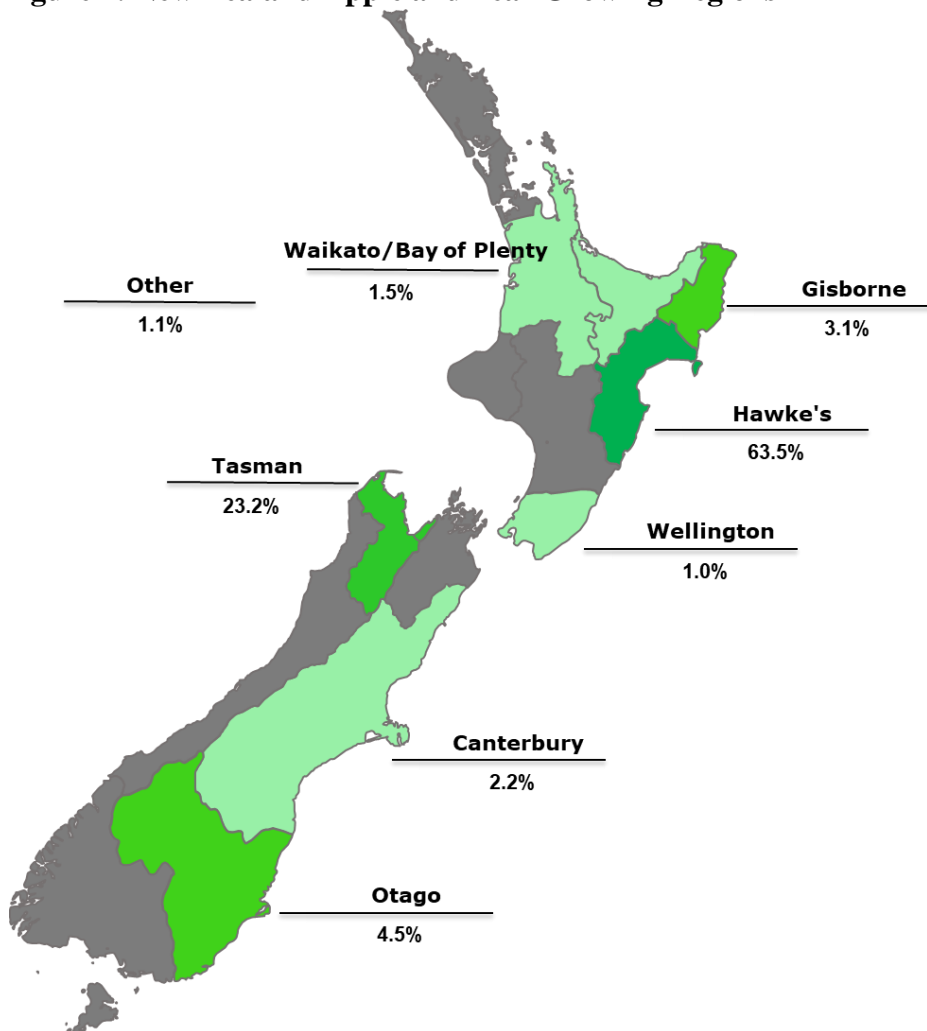
Domestic demand for pears in New Zealand continues to outstrip domestic supply. As a result, New Zealand imports fresh pears annually to meet its market demand.

Note: For the purpose of this report, FAS/Wellington refers to split years. For example: 2022/2023 Market Year (MY) represents the calendar year starting January 2023. 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 among the world's top ten largest apple exporters. The country's climate and soils 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. Meanwhile, New Zealand has well-established ports close to its apple and pear growing 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 in the Hawke's Bay region (nearly two-thirds of New Zealand's trees).

Figure 1: New Zealand Apple and Pear Growing Regions

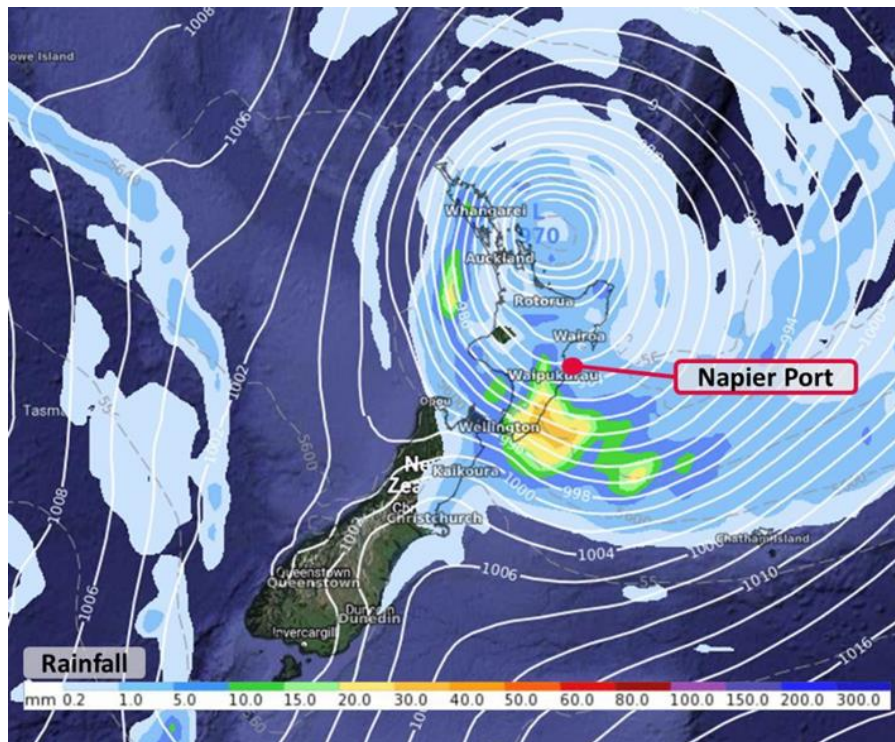


Source: Statistics NZ

Cyclone Gabrielle

New Zealand's main horticulture regions experienced adverse weather in early 2023; the worst of these was Cyclone 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, including an immense buildup of silt in vast areas. Cyclone Gabrielle affected approximately half of the Hawke's Bay and Gisborne region's orchard area, and the Napier Port, which supplied aid to the region. Despite this event happening one year ago, the effects of this weather event significantly impacted the national industry. Estimates on damage were that ~50 percent of growers in the Hawkes Bay and Gisborne regions were impacted. FAS/Wellington estimated that national production was 14 percent less than the previous seasons.

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



Source: Weather Watch NZ

Apples

Table 1: 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 |
| Area Planted ^(HA) | 11000 | 11000 | 11000 | 11000 | 9200 | 9200 |
| Area Harvested ^(HA) | 10300 | 10300 | 8900 | 8900 | 9000 | 9000 |
| Commercial Production ^(MT) | 510000 | 510000 | 440000 | 440000 | 460000 | 480000 |
| Non-Comm. Production ^(MT) | 3000 | 3000 | 3000 | 3000 | 3000 | 3000 |
| Production ^(MT) | 513000 | 513000 | 443000 | 443000 | 463000 | 483000 |
| Imports ^(MT) | 100 | 25 | 100 | 154 | 100 | 300 |
| Total Supply ^(MT) | 513100 | 513025 | 443100 | 443154 | 463100 | 483300 |
| Domestic Consumption ^(MT) | 172300 | 172263 | 133100 | 134070 | 143100 | 153300 |
| Exports ^(MT) | 340800 | 340762 | 310000 | 309084 | 320000 | 330000 |
| Total Distribution ^(MT) | 513100 | 513025 | 443100 | 443154 | 463100 | 483300 |
| (HA) ,(1000 TREES) ,(MT) | | | | | | |
| OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query | | | | | | |

Planted and Harvested Areas

2023/2024

FAS/Wellington maintains the USDA Official forecast for apple planted area in 2023/2024 MY to be 9,200 hectares (ha) and harvested area to be 9,000 ha, following reported estimates by the Ministry for Primary Industries (MPI). 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. As a result, orchards were damaged so severely that tree stocks were not viable for future production or were destroyed completely.

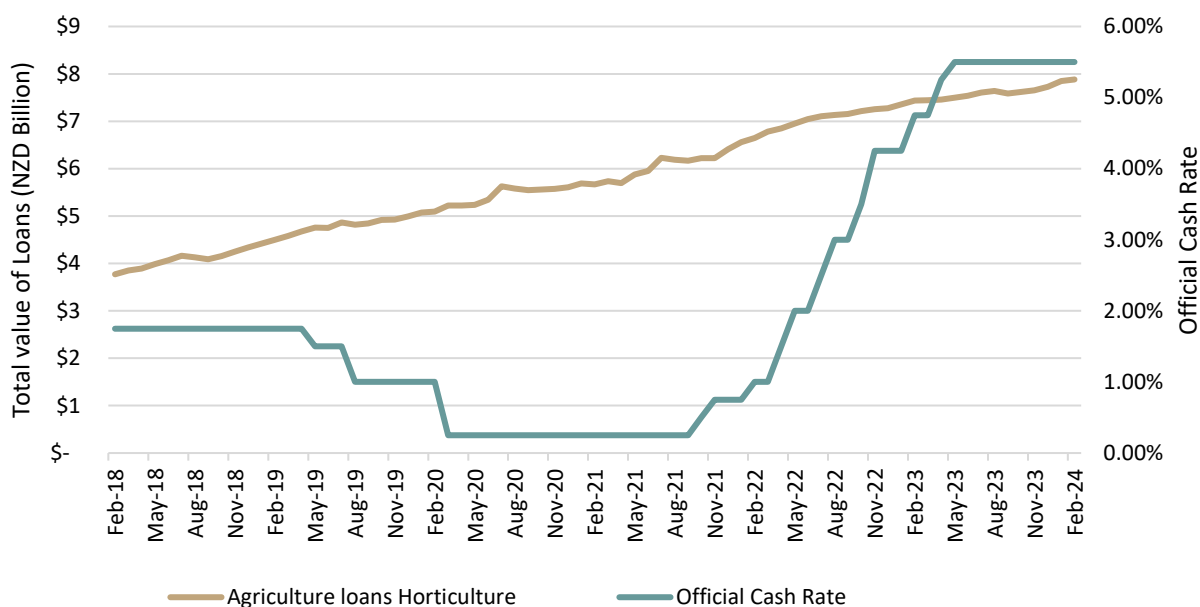
--Recovery from Cyclone Gabrielle

Growers in the Hawkes Bay 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. There remains uncertainty around the number of hectares that may not be reinstated in the future.

--Increasing Debt and Interest Rates

With the reinstating of orchards and any other agricultural-related businesses gearing up operations, many growers will require bank lending. Currently, a significant challenge facing the New Zealand farming sector is the servicing of debt due to the rise in national interest rates for lending facilities with banks. This ongoing situation 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). The RBNZ has the national OCR fixed at 5.50 percent. This is the highest the RBNZ has fixed the OCR since November 2008, following the global financial crisis.

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\$7.9 billion (US\$4.7 billion) as of February 2024 (Figure 3). Since 2017, the total value of loans to horticultural growers has increased at a compounding annual growth rate (CAGR) of 11.5 percent per year, compared to dairy, livestock, and grain farmer loans combined, which have decreased at a CAGR of -0.6 percent per year. Of loans to the agriculture sector, 84 percent are on floating interest rates, which with the increase in OCR has increases to operations cost of production. The impact of this in the remainder of the MY is farm operations will utilize less capital for new purchases, improvements and innovations as businesses prioritize servicing debt.

2022/2023

FAS/Wellington maintains the USDA official estimate of 11,000 ha planted and 8,900 ha harvested in 2022/2023 MY. The timing of Cyclone Gabrielle made it almost impossible for growers to recover crops prior to harvest. Growers directed their attention to harvesting 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 approximately 20 percent of national hectares went unharvested due to either being submerged in silt and inaccessible or destroyed.

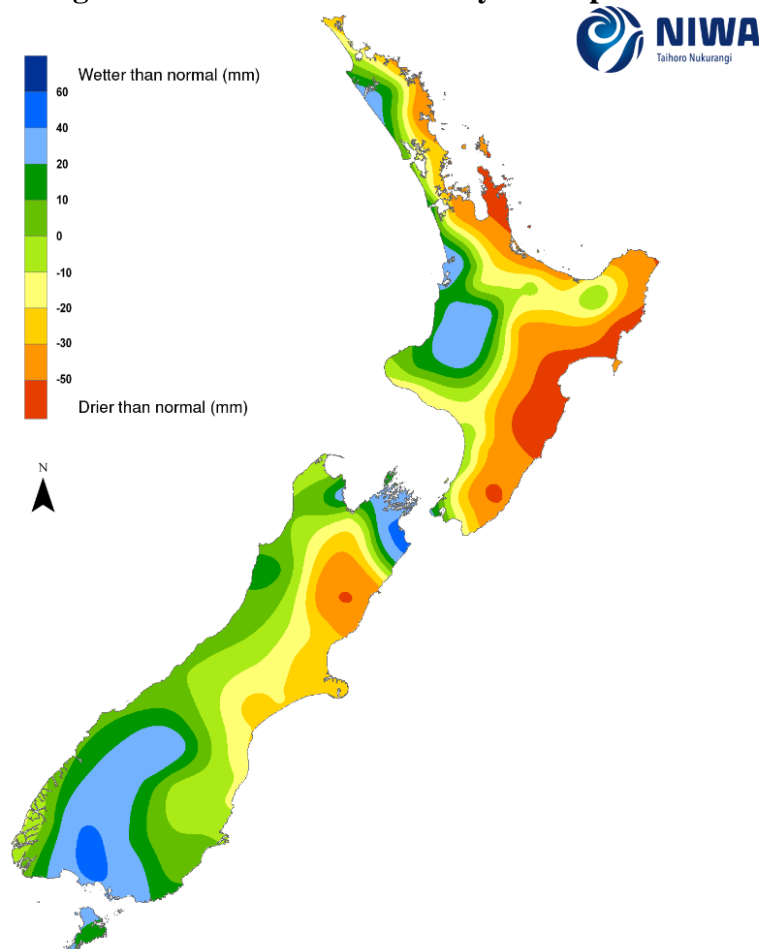
Other apple-growing regions in New Zealand such as Tasman, Canterbury, and Otago were unaffected by the weather events to the degree of Hawkes Bay and Gisborne. With a full return of the Recognized Seasonal Employer (RSE) scheme, production areas were harvested.

Production

2023/2024

FAS/Wellington increases the 2023/2024 MY production to 480,000 metric tons (MT), 20,000 MT more than the USDA Official. This represents a predicted recovery due to the forecasted El Niño weather pattern, availability of seasonal labor, and implementation of farm system innovations. In addition, hectares that had lost yield in the season prior due to weather conditions were growing a full season's crop in the outgoing year. Industry feedback is that climatic conditions for pollination and fruit set in spring 2023 for the 2023/2024 MY crop have been mostly favorable. There remains some cautiousness regarding the recovery of how trees affected by last year's weather events will perform into harvest. The feedback is that the yield is higher than the previous 2 years. However, fruit size has been challenged due to very dry conditions closer to harvest (Figure 4).

Figure 4: Soil Moisture Anomaly mid-April 2024



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

--Seasonal Labor Availability

The labor available to pick fruits has substantially impacted the national horticultural yield during past seasons, as foreign labor was constrained by Government border restrictions due to the COVID-19

pandemic. This season, it is reported that packing facilities are fully staffed with labor, with ongoing automation installations in the packing plants reducing the amount of labor needed. The New Zealand horticulture sector typically sources its labor from three areas: domestic seasonal staff, working holiday travelers (Backpackers) or the recognized seasonal employer (RSE) scheme.

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 workers are typically from countries in the Pacific and are to apple harvest labor. In September 2022, the cap or admin limit was lifted for the 2022/2023 MY 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 five years to 38,000 people per year.

-- El Niño Weather Pattern

National Institute of Water and Atmospheric Research (NIWA) scientists forecasted 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 shows the variance of the nation's soil moisture on historical averages in April 2024. With a majority of commercial orchards utilizing irrigation, the impact of a dry season is of low concern unless the water supply becomes restricted. However, dry and windy conditions increase evapotranspiration, making maintaining water for fruit development challenging.

--Innovation and Biotechnology

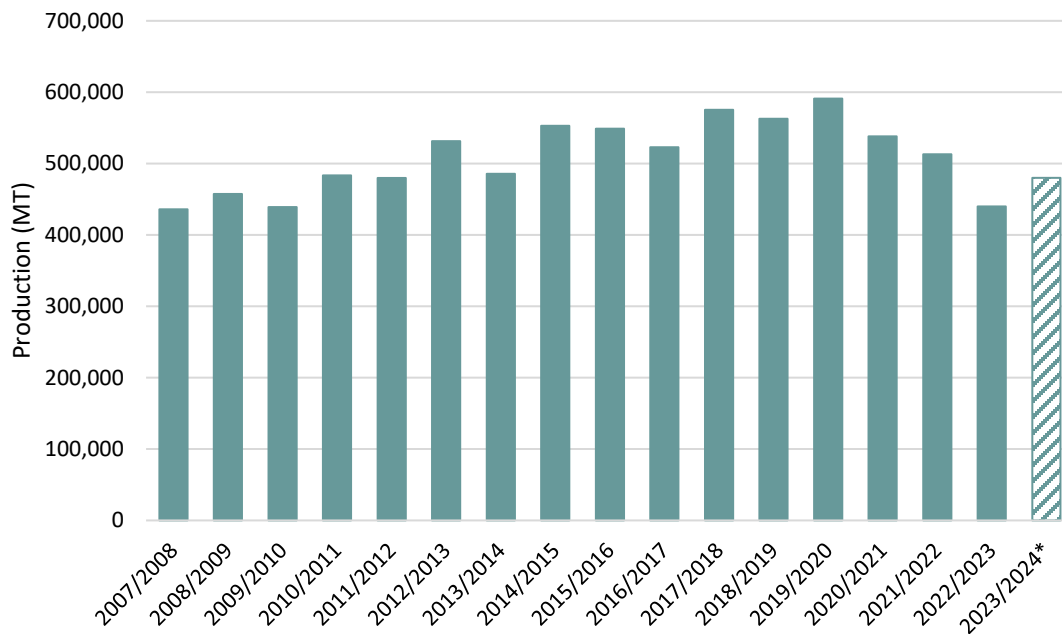
Over recent years, many orchards and packhouses have advanced technologically and made large investments in automation to manage labor more effectively. Other innovations aim to improve decision making and fruit quality management. Packhouses are investing in camera technology for grading and robotics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

The new incoming government, prior to the election, announced aspirations to change legislation that banned biotechnology in New Zealand until recently. In the report – [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. Currently no changes have been made to legislation, although there is feedback that the new government remains motivated to loosen biotechnology rules.

2022/2023

FAS/Wellington concludes the 2022/2023 MY production forecast aligned with the USDA official estimate of 440,000 MT. This is due to 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 MY with increased yields of quality fruit. Unfortunately, overall production represented a 15-year low, the lowest since the 2007/2008 MY (Figure 5).

Figure 5: New Zealand Apple production



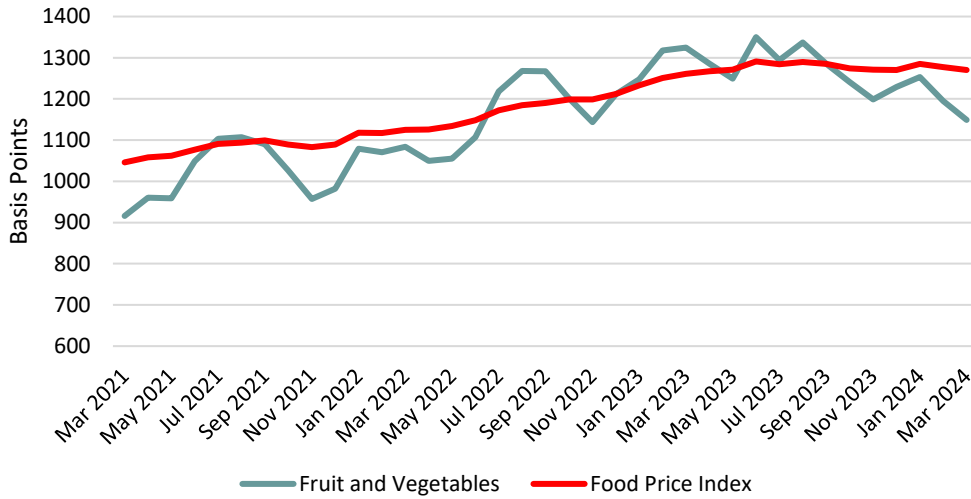
Source: Official USDA Estimates, *FAS/Wellington forecast

Consumption

2023/2024

FAS/Wellington forecasts domestic consumption in 2023/2024 MY to be increased on the USDA official at 153,300 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 has seen a decrease in the price inflation of fruits and vegetables over the last 6-months (Figure 6). In September 2023, as reported by Statistics New Zealand, the overall food price index was 8 percent more than the same time the year prior; since then, inflation on fruit and vegetables have eased and the food price index has stabilized.

Figure 6: New Zealand Food Price Index: March 2024

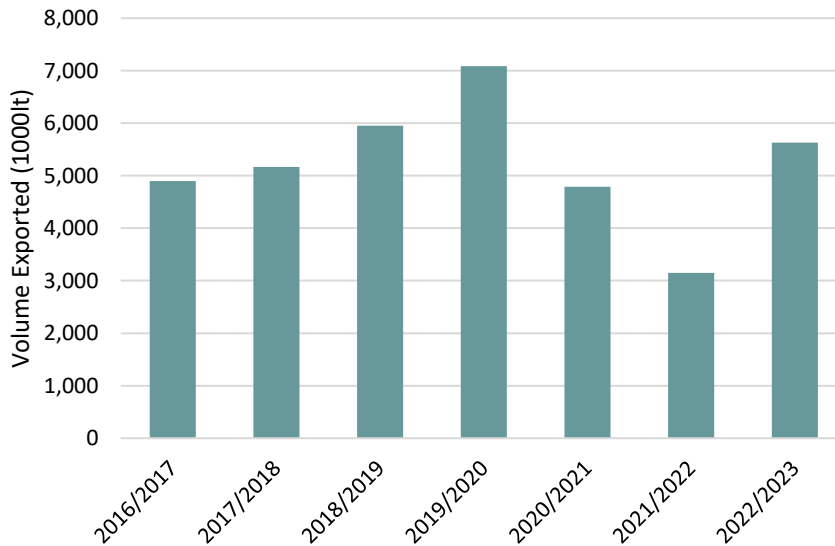


Source: Statistics New Zealand

2022/2023

FAS/Wellington has concluded domestic consumption at 134,070 MT. This reflects the lower production and available volumes prioritized for export markets. 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 in this calendar year. With these impacts, apple juice exports were up 79 percent compared to the previous year, demonstrating the volume of rejected apples for export markets and decline in domestic consumption.

Figure 7: New Zealand Annual Apple Juice Exports to the World



Source: Trade Data Monitor LLC

Trade

Exports

2023/2024

FAS/Wellington forecasts exports for 2023/2024 MY to be 330,000 MT. Although well behind historical volumes, this represents a recovery following the damage incurred in the current year. Apple exports in the first three months of the 2023/2024 MY are 37 percent up on the same time last year (Table 2). This shows a recovery in production and infrastructure, with exports from Napier port up 31 percent from last year.

As a result of New Zealand's counter-seasonal production to other countries, market demand is forecasted to stay strong, with export priorities noticeably focusing on Asian markets such as Vietnam, Thailand, and China. In the first quarter of the year, India has become a substantial growth market, being the second-largest destination for New Zealand from January to March.

Table 2: New Zealand Export Statistics for Apples

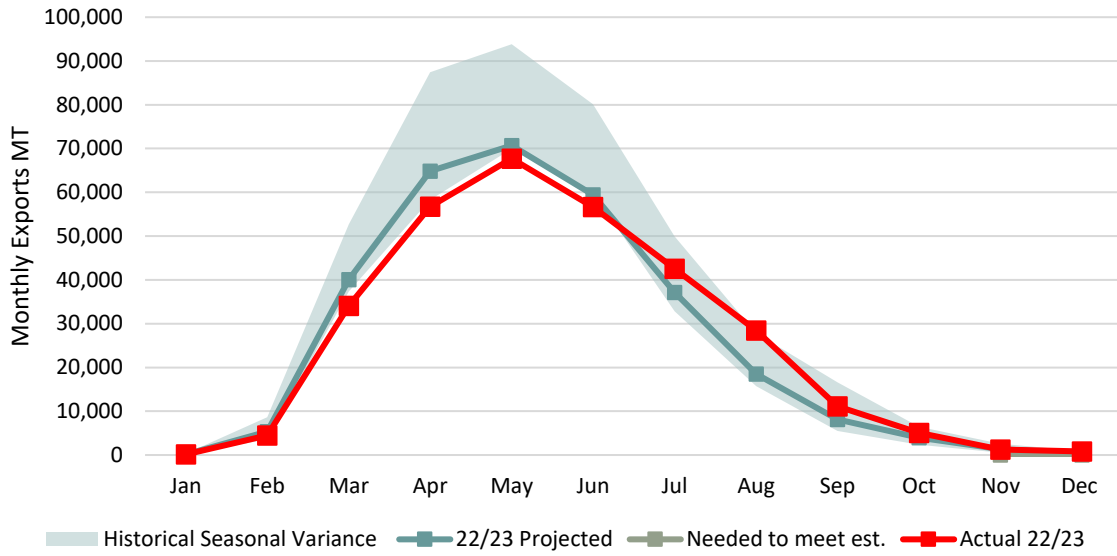
| Destination Country | Quantity (MT) Calendar Year | | | | | January-March | | |
|-----------------------|-----------------------------|---------|---------|---------|---------|---------------|--------|---------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2023 | 2024 | %Δ 2024/23 |
| World Total | 390,942 | 400,397 | 355,799 | 340,762 | 309,044 | 38,688 | 53,100 | 37.25% |
| Vietnam | 25,874 | 32,157 | 33,677 | 47,223 | 44,743 | 5,195 | 5,763 | 10.93% |
| China | 45,015 | 38,098 | 35,423 | 53,304 | 41,954 | 9,629 | 11,954 | 24.15% |
| Taiwan | 20,858 | 26,596 | 29,135 | 31,183 | 28,984 | 3,010 | 2,731 | -9.27% |
| United States | 33,883 | 28,379 | 24,433 | 23,949 | 26,239 | 815 | 828 | 1.60% |
| Thailand | 32,890 | 23,501 | 20,940 | 22,486 | 22,926 | 3,011 | 4,618 | 53.37% |
| United Kingdom | 43,299 | 39,569 | 32,549 | 21,892 | 22,241 | 970 | 1,842 | 89.90% |
| India | 17,068 | 22,163 | 28,148 | 18,074 | 19,314 | 1,870 | 10,377 | 454.92% |
| EU | 51,846 | 53,183 | 43,007 | 35,042 | 30,789 | 1,876 | 2,839 | 51.33% |
| Other | 120,209 | 136,751 | 108,487 | 87,609 | 71,854 | 12,312 | 12,148 | -1.33% |

Source: Trade Data Monitor LLC

2022/2023

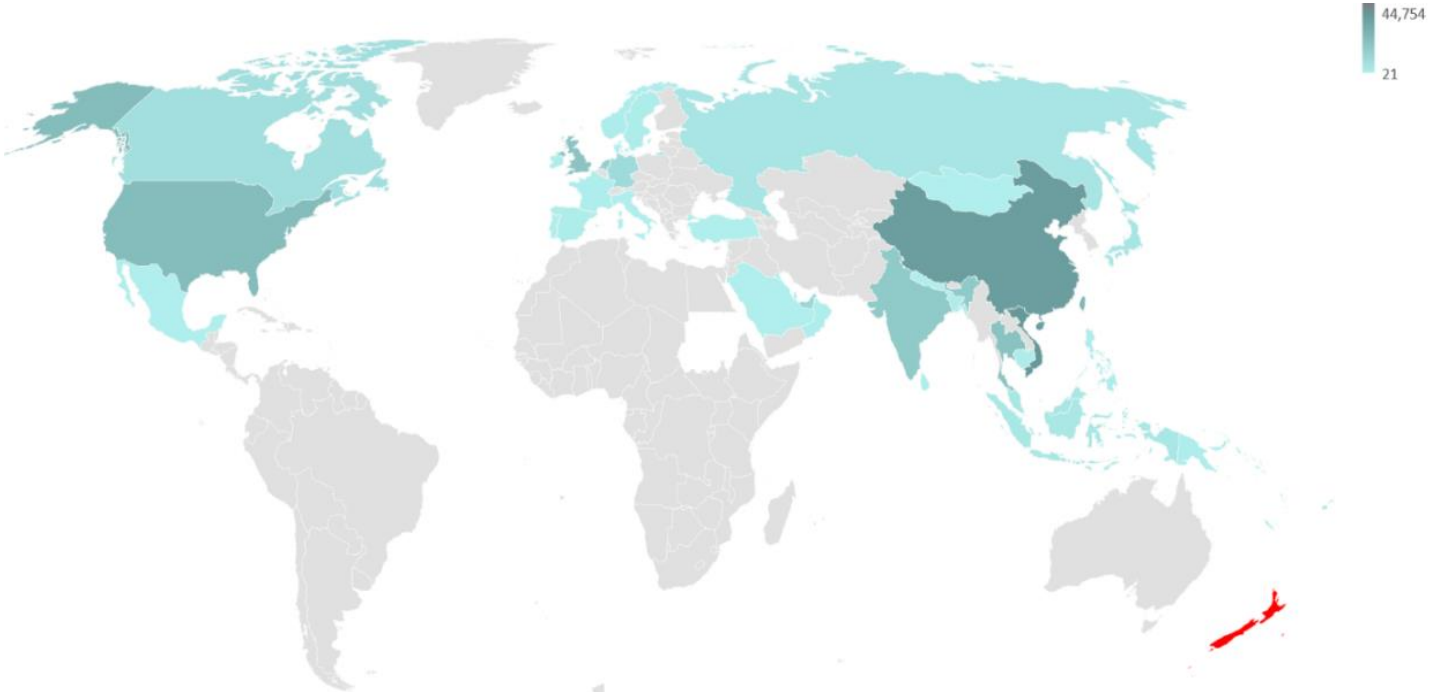
The 2022/2023 MY exports concluded at 309,084 MT compared to the USDA official of 310,000 MT (Figure 8). Industry commentary was that there was strong demand in Asia markets, in particular Vietnam (14.5 percent), China (13.6 percent), and Taiwan (9.4 percent), influenced by the reduced available export volume of New Zealand apples and pears in 2022/2023 MY. However, Cyclone Gabrielle impacted the industry negatively, with exports being lowest experienced since the 2012/2013 MY. This happened when there was reportedly at the time 1000 fewer hectares of commercial apple production as reported by Statistics NZ

Figure 8: 2023 Monthly New Zealand Apple Exports



Source: Trade Data Monitor LLC

Figure 9: New Zealand Apples Export Countries by Volume 2023



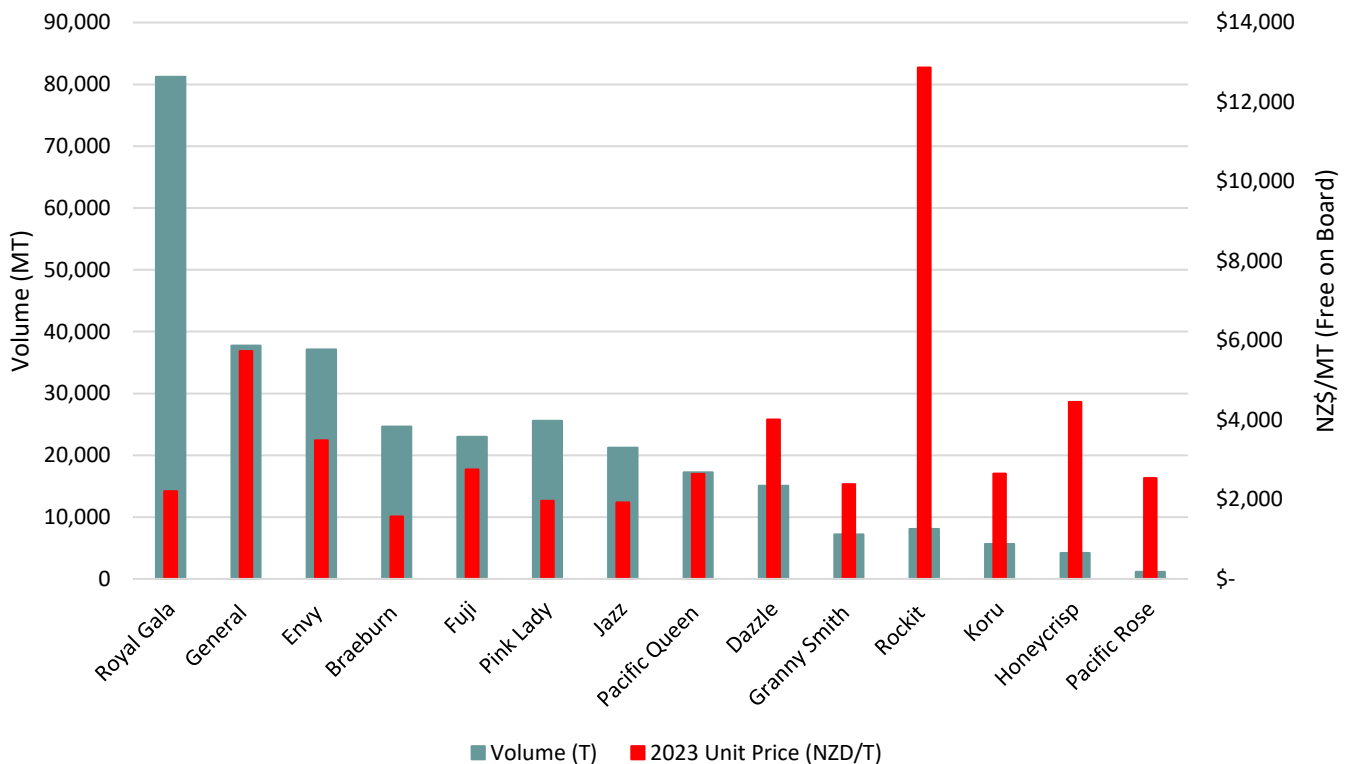
Source: Trade Data Monitor LLC

Despite export volumes being back almost 10 percent on the previous year, the average unit price per MT was up over 7 percent at NZ\$2,805 per MT (US\$1,683 per MT). The increased unit prices cushioned the impact of the reduced export volumes in the market year. However, as reported by MPI increased cost of production also impacted by global inflation on inputs has tightened margins from apple exports.

In the past 5 years, Napier port has been the primary location of Apple exports to world markets, accounting for 61 percent of the volume. In the 2022/2023 MY, there was a significant shift in export ports, with both Nelson and Tauranga increasing apple volumes exported by 35 percent compared to the previous year. As Napier port exports were down 28 percent on volume compared to the year prior.

Royal Gala was the largest variety for export in 2022/2023 MY. However, increases in export demand for varieties such as Honeycrisp, Dazzle, and especially, Rockit have experienced increases in unit pricing per MT (Figure 10). 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 10: New Zealand Apple Exports by Variety and Unit Price



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). These FTAs aim to provide tariff relief and expanded quotas for several New Zealand agricultural products, including horticulture, seafood, dairy, and meat. New Zealand's FTA with the UK entered into force on May 31st, 2023. The European Union FTA will enter into force on May 1st, 2024.

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.
 - In 2022/2023 MY, apple exports to the UK were 1.6 percent ahead of the year prior at 22,241 MT.
- **EU:**
 - Tariffs will be eliminated from day one on apples, with savings of NZ\$1.3 million (US\$780,000) per annum.
 - In the first quarter of 2023/2024 MY, apple exports are 51 percent up on the same time in the previous season.
 - 2022/2023 MY apple exports to the EU were 12 percent behind the previous year at 30,789 MT.

Imports

FAS/Wellington forecasts import for 2023/2024 MY to be 300 MT, an increase on the USDA official of 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 decreases. The development of atmosphere-controlled cool stores to keep local fruit within a few months of the next harvest, has reduced the demand for fresh apple imports in previous years. However, imports of fresh apples to New Zealand in the first three months of the 2023/2024 MY are 157 MT. In the 2022/2023 MY, apple imports concluded at 154 MT, an increase on the USDA official estimate.

Pears

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 (HA) | 375 | 375 | 375 | 375 | 375 | 375 |
| Area Harvested (HA) | 345 | 345 | 325 | 325 | 345 | 345 |
| Commercial Production (MT) | 11300 | 11300 | 10000 | 10300 | 10500 | 10500 |
| Non-Comm. Production (MT) | 200 | 200 | 200 | 200 | 200 | 200 |
| Production (MT) | 11500 | 11500 | 10200 | 10500 | 10700 | 10700 |
| Imports (MT) | 3600 | 3600 | 4000 | 3400 | 4000 | 4000 |
| Total Supply (MT) | 15100 | 15100 | 14200 | 13900 | 14700 | 14700 |
| Domestic Consumption (MT) | 12600 | 12600 | 12500 | 12200 | 12700 | 12700 |
| Exports (MT) | 2500 | 2500 | 1700 | 1700 | 2000 | 2000 |
| Total Distribution (MT) | 15100 | 15100 | 14200 | 13900 | 14700 | 14700 |

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

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 have impacted the planted and harvest areas for the national crop to 375 hectares total and a harvest off 345 hectares in 2023/2024 MY. There are no changes to the 2022/2023 MY USDA official.

Production

Total pear production for 2023/2024 MY is forecast at 10,500 MT, an increase from the revised 2022/2023 MY pear production of 10,300 MT. This is due to the expected recovery of some hectares and yield compared to the previous harvest.

Consumption

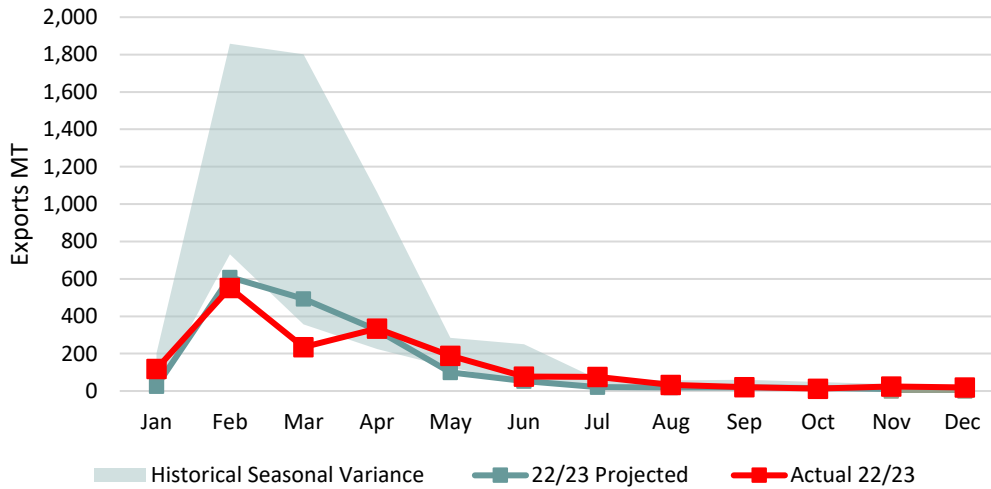
FAS/Wellington maintains the USDA Official pear domestic consumption at 12,700 MT for 2023/2024 MY, up 500 MT from the 2022/2023 MY revised USDA official estimate for domestic consumption of 12,200 MT.

Trade

Exports

For the 2023/2024 MY, FAS/Wellington maintains the USDA Official forecast for New Zealand’s pear exports to be 2,000 MT. This is a 300 MT increase in the export volumes in the previous year. The 2022/2023 MY concluded very poorly with fresh pear exports at 1,692 MT, demonstrating the impacts of Cyclone Gabrielle (Figure 11). Prior to this, the 7-year average was more than double at 3,520 MT. Taiwan, China, and the United States remains the primary markets for pear exports.

Figure 11: Monthly New Zealand Pear Exports in 2023

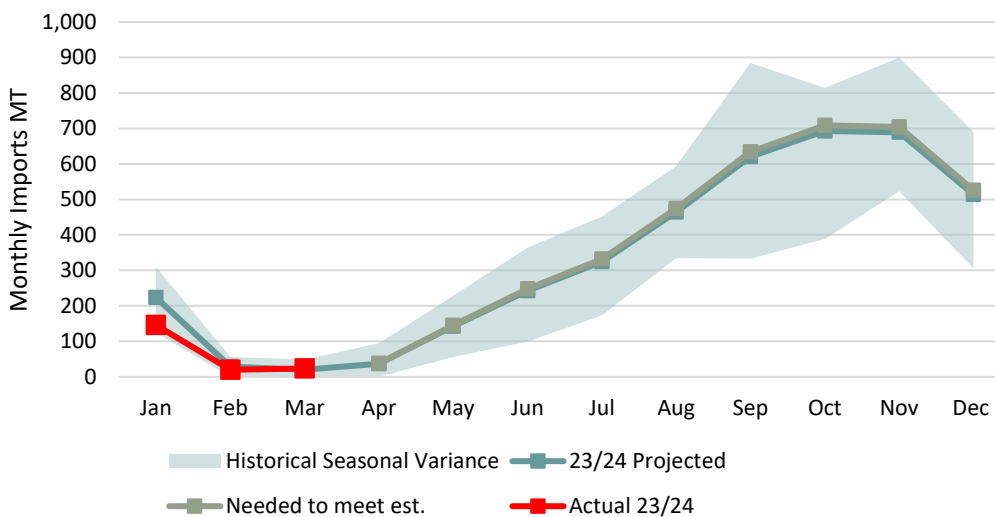


Source: Trade Data Monitor LLC

Imports

FAS/Wellington maintains the USDA Official 2023/2024 MY forecasts for imports to be 4,000 MT. An increase on the 2022/2023 MY final of 3,400 MT. 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. Imports increase over the months following the domestic harvest to provide all year supply to consumers (Figure 12).

Figure 12: Forecasted Pear Imports to New Zealand



Source: Trade Data Monitor LLC

Attachments:

No Attachments