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New Zealand

Kiwifruit

Kiwifruit Annual

2000

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Report Highlights:

New Zealand's export kiwifruit production in 2000 is forecast to be down slightly to about 187,200 MT from the 1999 export crop of 195,185 MT. September frosts in the Bay of Plenty region and heavy December rainfall during pollination are expected to reduce crop output. In 1999, sales of Zespri GOLD were extended to the United States and Taiwan, and New Zealand production and sales of Zespri GOLD to various markets are expected to expand significantly in 2000. Kiwifruit New Zealand is in its final stages of its restructuring with ZESPRI International Ltd dealing with all marketing. Imports of California kiwifruit have been made for the second season in a row.

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

New Zealand's export kiwifruit production in 2000 is forecast to be down slightly to approximately 52 million trays or 187,200 MT, from the 1999 export crop of 54 million trays or 195,185 MT. The main reason for the forecast decline is that the Bay of Plenty region where 80 percent of kiwifruit is grown in New Zealand, experienced severe frosts in September which damaged the crops. Heavy rainfall in December, which is the month of pollination in the crop, caused a problem with budrot in many crops which will effect the final size of the crop.

Export kiwifruit production in 1999 was down 10 percent from the previous year. Crop counts measured 195,185 MT in 1999, down from 227,297 MT in 1998. This decline in production was due to poor flowering and many hectares of established vines being converted to Hort 16A (Zespri GOLD). The mild 1998 winter was responsible for the small number of flower buds. Kiwifruit vines require cool winter temperatures to break dormancy.

The 1999 marketing year saw the beginning of what is hoped to be a large series of successes for the new kiwifruit variety Zespri GOLD. In 1999 the selling programme for Zespri GOLD in the UK, Japan and Australasia was extended to the United States and Taiwan for the first time with trials in Spain and Sweden in preparation for the European launch in 2000. The fruit is a golden colored tropical tasting fruit that has done extremely well in the Asian market due to the sweet taste. Zespri GOLD production is set to increase from last season's 105,000 trays to approximately 1-2 million trays in the 2000 season. This is due to a strong response from growers in planting the new variety. Currently 10 percent of kiwifruit area is planted in Zespri GOLD, at the expense of the Hayward variety Zespri GREEN. To encourage a rapid transition from the Hayward varieties to Zespri GOLD, growers are being encouraged to graft Zespri GOLD wood on top of existing pruned Zespri GREEN wood.

Kiwifruit New Zealand (NZ Kiwifruit Marketing Board) is in the final stages of its restructuring in response to the New Zealand Governments 1998 Budget request for all producer boards to develop plans for operating without statutory backing. Kiwifruit New Zealand has been undergoing an industry review since 1995, and the final stage of the review involves the corporatisation of Kiwifruit New Zealand. The new structure has been titled Supply 2000 and adheres to the Kiwifruit Export Regulations 1999, moving from a regulatory regime which was quite specific on supply details to a situation where there is no definition, other than the continuation of the single desk for exporting to all markets except Australia and the requirement for ZESPRI to contract for product. Main changes involve:

- i ZESPRI Group Ltd is now the parent company of the kiwifruit industry, with Kiwifruit New Zealand only dealing with the regulatory environment.
- i ZESPRI International Ltd, a subsidiary of ZESPRI Group, will deal with all the marketing of product and is required to formally contract directly with suppliers for product and services, negotiating the details on product type, size, timing and payment on a contract-by-contract basis.
- i This arrangement means that ZESPRI has cut all involvement in onshore logistics of the kiwifruit industry and becomes owner of the fruit FOB (free on board), or when the fruit is on board the ship at the wharf.
- i The new regulations prevent ZESPRI from marketing locally. All class 1 fruit must be

exported. Estimations have 98 percent of the export class crop being exported and the remaining 2 percent that is not up to export standard being marketed locally.

SECTION II. STATISTICAL TABLES

Kiwifruit PSD Table

PSD Table						
Country	New Zealand					
Commodity	Kiwifruit				(HA) (MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Bearing Area	10500	10500	10500	10500	0	10500
Non-Bearing Area	250	250	250	250	0	250
TOTAL Area Planted	10750	10750	10750	10750	0	10750
TOTAL Area Harvested	10500	10500	10500	10500	0	10500
TOTAL Production	245000	250000	221000	210000	0	202000
Imports	0	70	0	90	0	70
TOTAL SUPPLY	245000	250070	221000	210090	0	202070
Exports	215000	223339	195000	191000	0	183500
Domestic Consumption	30000	26731	26000	19090	0	18570
TOTAL DISTRIBUTION	245000	250070	221000	210090	0	202070

New Zealand Kiwifruit Exports

NEW ZEALAND KIWIFRUIT EXPORTS				
Calendar years, tons				
	1997	1998	1999 YTD	1999f
Destination	Cal Year	Cal Year	Jan - Sept	Cal Year
Other EU	115,530	93,904	74,397	76,000
Japan	35,566	37,488	27,370	29,000
Australia	16,815	13,570	5,756	6,000
United States	778	11,105	13,055	14,500
Taiwan	10,195	10,323	5,001	6,000
Spain	0	10,257	20,902	20,902
Italy	0	10,111	10,097	10,097
United Kingdom	0	6,542	7,034	8,000
Germany		3,742	3,052	3,500
Argentina	3,635	4,403	2,871	3,000
Belgium	0	3,229	433	433
Korea	5,031	2,881	3,041	3,500
China	962	2,201	1,960	2,000
Canada	6,138	2,127	0	0
Hong Kong	2,537	1,877	1,258	1,500
Saudi Arabia	1,539	1,661	1,155	1,500
Mexico	1,022	1,305	505	600
Other	18,331	6,614	4,034	5,000
TOTAL	205,882	223,339	181,920	191,532

Source: Statistics New Zealand
1999 forecast: -post estimate

New Zealand Kiwifruit Export Prices

NEW ZEALAND KIWIFRUIT EXPORTS			
NZ\$/ton			
Destination	1997	1998	1999 YTD
	Cal Year	Cal Year	Jan-Sept
E.U.	1,586	1,862	2,190
Japan	2,692	2,867	3,286
Australia	885	1,086	2,166
United States	1,504	985	1,896
Taiwan	2,493	2,462	3,044
Spain	na	1,940	2,084
Italy	na	1,929	2,107
United Kingdom	na	2,118	2,412
Germany		1,984	2,533
Argentina	1,329	594	312
Belgium	na	1,913	1,373
Korea	1,909	1,428	1,633
China	2,120	2,052	2,843
Canada	1,200	771	na
Hong Kong	2,091	2,475	1,143
Saudi Arabia	1,907	2,190	2,289
Mexico	1,279	1,032	1,353
Other	529	1,659	2,065
TOTAL	1760	1942	2308

Source: Statistics New Zealand

New Zealand Kiwifruit Industry Statistics

Industry Statistics				
	Season			
	1995	1996	1997	1998
CROP VOLUME				
Return per tray (NZ\$)	\$4.22	\$4.35	\$4.56	\$6.50
Trays submitted (000's)	58,773	63,113	57,259	63,138
Trays sold (000's)	48,652	56,247	57,260	59,404
Trays sold (percent)	83	89	98	94
Crop management (trays)	3,901	1,339	-	-
Fruit loss/not sold (trays)	6,220	5,527	3,840	3734
GENERAL				
Number of growers/suppliers	2,205	1,596	1,830	1657
Ave. no. trays submitted				
per grower	26,654	39,545	31,289	38104
Number of orchards	2,796	2,757	2,725	2682
Planted hectares	10,210	10,329	10,430	10015
Yield per hectare (trays)	5,756	6,110	5,490	6305
Orchard gate return per ha	\$14,860	\$16,134	\$15,110	25753
PACKHOUSES/COOLSTORES				
Number of packhouses	148	137	127	118
Ave. no. trays packed				
per packhouse	370,754	450,904	450,855	510078
Number of coolstores	119	106	111	106
Ave. trays stored per				
coolstore	461,105	582,772	515,844	595644

Source: N.Z. Kiwifruit Marketing Board Annual Report 1998/99

New Zealand \$: U.S. \$ Exchange Rate

N.Z.\$: U.S.\$ EXCHANGE RATE	
Year-ended September 30th, average mid-rates for period	
1995/96	0.6770
1996/97	0.6853
1997/98	0.5594
1998/99	0.5200
1999/2000f	0.5500

SECTION III. SUPPLY, DEMAND, POLICY AND MARKETING

PRODUCTION

PS&D Changes

1998 Total Production has been changed to reflect final export production figures of 227,297 MT (63.2 million trays). This was a higher export production than forecast previously, thus pushing total production (including fruit produced for the local market) up to 250,000 MT.

1999 Total Production actual figures decreased from the earlier forecast 221,000 MT based on actual export production of 195,185 MT and estimated domestic production 14,815 MT; total production is put at 210,000 MT.

The PS&D total production figure includes both export production figures and also fruit that is grown for the domestic market. New Zealand crop size estimates of fruit grown for the local market are not generally made.

Final 1999 Kiwifruit Crop down

New Zealand export kiwifruit production was down 10 percent, from 227,297 MT in 1998 to 195,185 MT in 1999. This decline in production was due to poor flowering and many hectares of established vines being converted to Hort 16A (Zespri Gold). The mild winter in 1999 was responsible for the small number of flower buds. Kiwifruit vines require cool winter temperatures to break dormancy.

Strong 1999 End-of-Season Returns for Kiwifruit Growers

Kiwifruit New Zealand is looking at returning \$410.7 million to growers for the 1999 season, up over \$6 million on the November forecast and surpassing the \$410.6 million achieved the previous year. This equates to an average per tray return of \$7.58 compared with \$7.46 forecast in November and \$6.50 in 1998 on a crop that was down 14 percent on the previous season. The Orchard Gate Return is forecast at \$283.3 million which represents a 10 percent growth on the 1998 season, and 80 percent growth on the base 1997 year, to far exceed the industry's own three-year target of 60 percent growth.

1999 SEASON FORECAST RETURN ANALYSIS			
Description	Net Volume (mil. trays)	NZ \$/3.6 kg tray	Return (\$m)
ZESPRI GREEN	50.19	7.55	378.98
ZESPRI GREEN Organic	1.36	9.52	12.95
ZESPRI GOLD	0.317	14.28	4.53
K1W1 GREEN	2.176	5.95	12.87
K1W1 GREEN Organic Class 2	0.093	7.01	0.66
K1W1 GOLD Class 2	0.08	9.55	0.76
TOTAL ALL POOLS	54.218	7.58	410.74

Source: KNZ Kiwiflier

CONSUMPTION

PS&D Table changes

1999 Imports changed to reflect the Californian kiwifruit imported to meet domestic shortfall.

1999 Exports changed to reflect actual 1999 exports.

1999 Domestic consumption changed to reflect lower production in 1999 season.

POLICY***Supply 2000***

Supply 2000 is the given title for the changes being made to the kiwifruit industry that will first be activated in the 2000 season. The commercial assets of the Kiwifruit Marketing Board will be corporatized into a company, Zespri Group Ltd, and the shares will be issued to kiwifruit producers and will be tradable among producers. The plan has been approved by the New Zealand Government, and been given a 90 percent vote of support from growers. Zespri Group Ltd will be up and running on April 1 2000. The main changes to the industry are as follows:

- i ZESPRI Group Ltd is now the parent company of the kiwifruit industry, with Kiwifruit New Zealand only dealing with the regulatory environment.
- i ZESPRI International Ltd, a subsidiary of ZESPRI Group, will deal with all the marketing of product and is required to formally contract directly with suppliers for product and services, negotiating the details on product type, size, timing and payment on a contract-by-contact basis.
- i This arrangement means that ZESPRI has cut all involvement in onshore logistics of the kiwifruit industry and becomes owner of the fruit FOB (free on board), or when the fruit is on board the ship on the wharf.
- i The new regulations prevent ZESPRI from marketing locally. All class 1 fruit must be exported. Estimations have 98 percent of the export class crop being exported and the remaining 2 percent that is not up to export standard being marketed locally.

Commitment to keep New Zealand Kiwifruit free of genetic modification

Kiwifruit New Zealand remains firm in its resolve not to fund research, include within its inventory or market genetically modified kiwifruit. Kiwifruit New Zealand and its global marketer ZESPRI International Ltd. have a policy, introduced in March 1999, to align research and development to the industry's strong environmental philosophy and production practices by rejecting any involvement in genetic engineering.

The industry's focus is on extending and enhancing the award winning Kiwigreen system which maps, monitors and measures the entire production process, producing high quality fruit with minimal residues while sustaining the natural environment. The aim now is to develop a total environment system to cover all areas of orchard and business practice.

MARKETING***Zespri GOLD***

Zespri GOLD Kiwifruit is on target to meet development plan projections for the 1999 year. The 1999 season saw the selling programme in the UK, Japan and Australasia extended to the United States and Taiwan for the first time and trials in Spain and Sweden in preparation for the European launch in 2000.

The Zespri GOLD Kiwifruit was established as a premium priced kiwifruit over Zespri GREEN

Kiwifruit, this was done without destroying Zespri GREEN Kiwifruit's 30 percent plus average premium over other Hayward Kiwifruit during the highest priced season this decade. The latest forecast returns for Zespri GOLD Kiwifruit are \$14.36 per tray based on 317,020 trays submitted, compared with \$21.38 per tray last season when just over 71,000 trays were submitted

Zespri GOLD is to be launched in Europe in 2000. Europe is seen as the most developed market and also has the highest per capita consumption of kiwifruit in the world. Research has shown that European consumers will be some of the most receptive to Zespri GOLD Kiwifruit without denting Zespri GREEN Kiwifruit sales.

Zespri International has also approached growers in various countries, including the U.S., about making Zespri GOLD wood grafts available for planting abroad.

New Kiwifruit Variety

A new grape-size kiwifruit variety, *Actinidia arguta*, has the potential to be a big export earner for New Zealand. The new variety, bred by HortResearch, is green, hairless, sweet and can be eaten whole. With a taste different to ordinary kiwifruit, they are harvested in late February and early March and some selections can be cool-stored for at least two months, making them suitable for export and domestic markets.

12-month Selling for Kiwifruit

The kiwifruit industry has taken its first steps toward year-round domination of global markets by selling Italian and Iranian kiwifruit in key export markets as the flow of New Zealand fruit winds down. Zespri International has bought class one Italian kiwifruit to sell on the east coast of the U.S. and class two Iranian kiwifruit to sell in the Middle East, South-east Asia, Latin America, Russian Far East and Indian Ocean markets. During the northern hemisphere summer, New Zealand Kiwifruit dominates about 70 percent of the market, but until now Zespri's sophisticated distribution system has been underused during the northern winter. Zespri-branded kiwifruit had sold out in most main export markets earlier than ever this season.

The 12-month supply programme first stage involves sourcing the fruit from both Italy and Iran and selling it unbranded in order to get the producers from both countries to start to produce fruit of Zespri standard and quality. Once a consistent standard has been obtained then the fruit will be branded with the Zespri label and supplied to the supermarkets to meet their all-year-round demand.

Money in Organic Kiwifruit

The Kiwifruit industry has been one of the first in New Zealand to respond to the increasing, world-wide demand for healthy, "safe" food. There are now over 100 certified organic kiwifruit orchards in New Zealand, making up 2.5 percent of the kiwifruit export industry. To become Bio-Gro certified a grower must produce organic kiwifruit for at least 36 months. Once all growers in the process of conversion were certified, the number could rise as high as 5 percent. The main markets for organic kiwifruit are in Japan, Europe and the U.S. Organic kiwifruit currently receives around \$2.16 per 3.6 kg tray more than regular kiwifruit.

New Zealand again imports Californian Kiwifruit

New Zealand has imported U.S. Kiwifruit for the the second season in a row. One container from the U.S. arrived in December 1999. New Zealand traditionally exhausts local supplies of kiwifruit by December. Starting last season and continuing this season, importers are bringing in foreign supplies, allowing year round availability of kiwifruit. This season, however, some local kiwifruit was still available in December and January. This has constrained sales of California kiwifruit as imported prices are about double local prices.