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New Zealand

Fresh Deciduous Fruit Semi-annual

New Zealand Apple and Pear Production and Marketing May 2018

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Report Highlights:
In 2017/2018, deciduous fruit production is estimated at 574,200 metric tons, a seven percent jump over 2016/2017. The increased production is anticipated to result in greater export volumes in 2017/2018, now estimated at 377,650 metric tons, a record for the sector.

Executive Summary

Good weather for most of the growing areas in New Zealand leading up to the 2017/2018 harvest has boosted fruit size. Total deciduous production is estimated at 574,200 metric tons (MT) for 2017/2018, a seven percent increase over 2016/2017. This outcome has resulted from the aforementioned good growing season; a three percent larger harvest area; and existing orchard blocks switching to or including new apple varieties.

Total deciduous fruit exports in 2017/2018 are now forecast at 377,650 MT an eight percent increase over 2016/2017, a direct result of the better production season.

The extra production in 2017/2018 is expected to supply increased domestic consumption and fruit to processing, which are estimated to increase to 83,550 MT and 116,800 MT, respectively.

The 2016/2017 total deciduous fruit production has been revised down to 534,876 MT, now that new more accurate data has been made available by the industry. Exports recorded a boost in the last quarter of 2016/2017 rising 8,000 MT above the previous estimate to be 348,715 MT. New industry information indicates that fruit processed in 2016/2017 was 109,900 MT or 23 percent less than the previous estimate while domestic consumption was 81,000 MT, six percent above the previous estimate.

2016/2017 was another profitable year for growers marking five consecutive years of solid profits. This trend is expected to continue in 2017/2018.

Note1: The Marketing Year MY2016/2017 is from Jan 1, 2017 to Dec 31, 2017 and will be referred to as 2016/20117 in the text to conform to Northern Hemisphere country marketing years. Similarly MY 2017/2018 will be shown as 2017/2018 and refers to Jan 1, 2018 to Dec 31, 2018.

Note2: A TCE stands for Tray Carton Equivalent and is 18.0 kilograms of fruit. FOB stands for Free-On-Board which denotes the value of a product once it is loaded on board ship ready for departure.

Planted and Harvested Area

Apples

The 2017/2018 planted area is estimated at 9,825 hectares (ha), with 9,400 ha being harvested. After five consecutive years of orchard and post-harvest profitability, there is considerable confidence within the sector. Orchard area expansion is trending upwards with an estimated 250-400 ha of new land being planted each year, up from 250-300 ha. Exact data on new plantings is not available because orchardists do not have to register new plantings until they are ready to be harvested. In addition, industry sources report that growers are replanting or grafting over ten percent of their existing planted area to include more productive and popular varieties.

Around 40 to 50 percent of the planted area now consists of Intellectual Property (IP) protected varieties such as Envy, Rockit or Honeycrisp. Growers planting IP protected varieties pay either a royalty when planting the trees or a volume related IP fee.

Deciduous Fruit Plantings in New Zealand by Variety (in Hectares)

Calendar Year of Harvest	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Braeburn	2246	2034	1,869	1740	1589	1504	1381	1352	1303	1239
Cox	295	281	248	236	203	178	150	134	121	111
Cripps Pink/Pink Lady	285	353	397	434	446	459	443	461	523	562
Envy			88	174	272	285	315	346	416	544
Fuji	829	899	931	970	934	906	832	837	858	831
Granny Smith	286	282	267	256	256	246	240	219	233	231
Jazz	768	917	977	983	943	905	869	855	825	821
Pacific Beauty	162	149	135	127	120	113	92	84	83	71
Pacific Queen	212	220	263	291	351	456	622	730	827	878
Pacific Rose	454	424	416	399	396	390	379	364	365	342
Pacific series Sub-Total	828	793	814	817	867	959	1,093	1,178	1,275	1,291
Royal Gala & sports	2669	2538	2,417	2423	2369	2386	2337	2410	2549	2604
Other Varieties	332	389	421	376	385	484	709	790	707	930
Total Apple Area	8,538	8,486	8,429	8,409	8,264	8,312	8,369	8,582	8,810	9,164
Total Pear Area	412	412	429	473	441	448	403	407	403	371
Unregistered							383	320	413	465
Total	8,950	8,898	8,858	8,882	8,705	8,760	9,155	9,309	9,626	10,000
Braeburn as % of Apple Area	26.3 %	24.0 %	22.2 %	20.7 %	19.2 %	18.1 %	16.5 %	15.8 %	14.8 %	13.5%
Royal Gala as % of Apple Area	31.3 %	29.9 %	28.7 %	28.8 %	28.7 %	28.7 %	27.9 %	28.1 %	28.9 %	28.4%

Source: PNZI registered area

Note: The unregistered area includes planted area not currently producing fruit for export. This area aligns with the surveys from the Pipfruit NZ National Crop Estimate. A proportion of the area will be young trees not producing a crop yet. It is estimated for 2017 18ha of this area is pears and 447 ha apples.

Pears

The 2017/2018 forecast for pear planted area will be stable at 400 ha and the harvested area at 375 ha. Since 2011, pear plantings have trended downward primarily because it has been more profitable growing apples. However, this trend may change as the New Zealand – Australia Pipfruit plant breeding consortium "Prevar," has developed new pear varieties. "Piqa Boo" is the first new Prevar pear variety to be released, planted, and produced in commercial quantities and is now being harvested. Prevar hopes these new varieties will be more profitable and rival the apple crops success.

Apple Production

2017/2018

Post forecasts apple production for 2017/2018 at 561,000 MT, an estimated seven percent increase from 2016/2017. The following dynamics have played a part during this growing season:

- Wet and warm weather in the Hawkes Bay prevailed (61 percent of the total apple orchard area) during January and February resulting in larger fruit, to the point where fruit splitting became a quality issue;
- The other main growing area in Nelson (24 percent of the area), suffered the effects of two cyclones, which caused severe damage to a limited number of apple orchards;
- Dry and warm weather during harvest (March to May) is expected to produce large and very good quality fruit; and
- Labor shortages at harvest were a major problem this year. This delayed harvest in some orchards. However industry contacts have not reported any impact on the quantity or the quality of the 2018 harvest.

2016/2017

Post now estimates total apple production in 2016/2017 at 523,000 MT. New more accurate data on production, domestic consumption, and processing volumes for 2016/2017 has been received. The new data shows the previous estimate for production was four percent too high. This resulted from a more severe natural fruit drop than normal during December 2016 and the wet conditions further impaired the late harvest in 2017.

Robotics

As it gets more expensive and difficult to find capable seasonal staff, the level of producer interest in mechanization and robotics is growing. In some packing sheds there are now rooms where grading, sorting, and packing lines are totally automated and the only staff left is maintenance technicians and shift managers. Hydraulic picking platforms are becoming more common in the orchards. Full robotic harvesting may be up to ten years away, but prototype machines are already being used on a trial basis. Robotic harvesting requires changes to growing systems and tree training in most orchards.

Pear Production

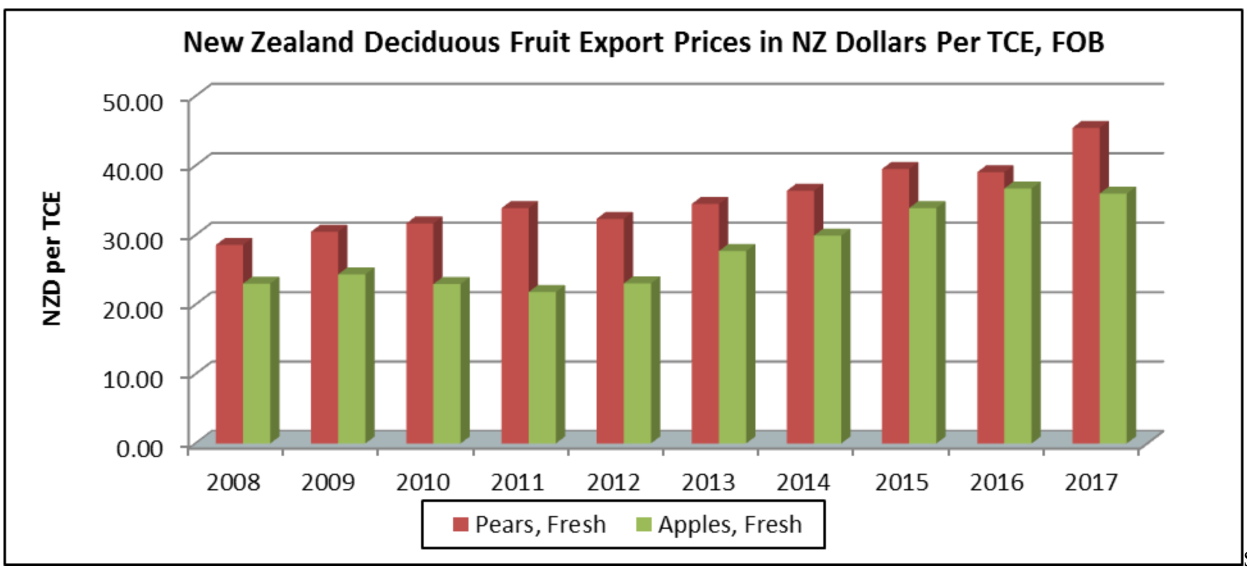
2017/2018

Post maintains its forecast for 2017/2018 pear production at 13,200 MT, a five percent increase over 2016/2017 based on stable harvested area and good growing conditions for the season.

2016/2017

Post revises its previous pear production forecast for 2016/2017 down to 11,876 MT based on the assumption that consumption has been stable and actual imports were greater than expected. This is 5.4 percent below the previous estimate.

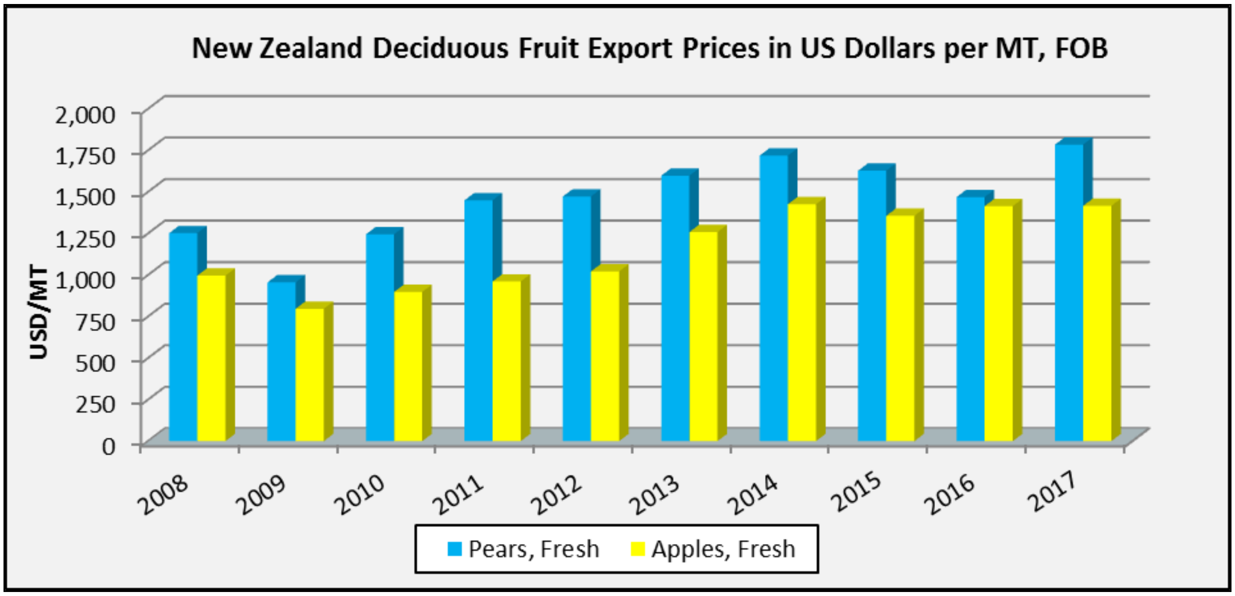
Grower Returns



Source: GTA

The charts in this section show the Free-On-Board (FOB) pricing for apple and pear exports. They show a material increase which has been sustained over the last five years. In order to determine the Orchard Gate Return, transportation, cool storage, and shipside costs still need to be deducted. These costs have been reasonably stable. The majority of the increase in export pricing that started in 2013 has been returned to growers. For 2016/2017, overall in-market pricing (see USD denominated chart below) appears very stable. At the US$1,416/MT for apples, the FOB export revenue is only US$2 less than the previous year. On a New Zealand dollar denominated basis 2016/2017 FOB pricing is two percent less than the previous year.

Industry sources believe the apple sector will continue to be profitable in 2017/2018 as FOB prices are forecast to remain relatively stable.



Source: GTA

Consumption

Apples

Apple consumption for 2017/2018 is forecast at 72,800 MT (up 3.2 percent from the previous year) due to the availability of larger quantities of good quality fruit. Supermarket pricing should be competitive, which should stimulate additional consumption. The estimate for 2016/2017 has been revised up to 70,600 MT due to more accurate data that has been supplied by the industry. This is a seven percent revision.

Pears

Pear consumption for 2017/2018 continues to be estimated at 10,750 MT the same as 2016/2017.

Processing

The 2016/2017 apple processing volume has been revised down by 23 percent to 108,000 MT now that new more accurate data has been received from the industry. In line with the increased production in 2017/2018 it is likely that the apple processing volume will also increase over the 2016/2017 volume and is forecast at 115,000 MT (6.5 percent). Pear processing in 2017/2018 continues to be estimated at 1,800 MT, 5 percent less than 2016/2017.

A development in the processing sector is likely to affect the apple industry. T&G Global, a major New Zealand integrated fruit growing, packing, and exporting business is selling its processing business ENZA Foods NZ Ltd to Cedenco Foods New Zealand. Cedenco is primarily a tomato paste producer and will take over apple processing at two sites in Hawkes Bay and Nelson.

Production, Supply, and Distribution Tables

Apples, Fresh New Zealand	2015/2016			2016/2017			2017/2018		
	Market Year Begin: Jan 2016			Market Year Begin: Jan 2017			Market Year Begin: Jan 2018		
(HA)/(MT)	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Planted	9,205	9,205	9,205	9,600	9,600	9,600	9,825	9,825	9,825
Area Harvested	8,810	8,810	8,810	9,164	9,164	9,164	9,350	9,350	9,400
Bearing Trees	0	0	0	0			0	0	0
Non-Bearing Trees	0	0	0	0			0	0	0
Total Trees	0	0	0	0	0	0	0	0	0
Commercial Production	535,000	535,000	535,000	539,400	539,400	520,000	570,000	570,000	558,000
Non-Comm. Production	14,000	14,000	14,000	3,000	3,000	3,000	3,000	3,000	3,000
Production	549,000	549,000	549,000	542,400	542,400	523,000	573,000	573,000	561,000
Imports	300	323	323	300	300	482	300	250	300
Total Supply	549,300	549,323	549,323	542,700	542,700	523,482	573,300	573,250	561,300
Fresh Dom. Consumption	61,213	61,323	61,323	65,700	65,700	70,552	65,800	65,750	72,800
Exports	347,000	346,913	346,913	337,000	337,000	344,930	376,000	376,000	373,500
For Processing	141,087	141,087	141,087	140,000	140,000	108,000	131,500	131,500	115,000
Withdrawal From Market	0	0	0	0	0	0	0	0	0
Total Distribution	549,300	549,323	549,323	542,700	542,700	523,482	573,300	573,250	561,300
TS=TD	0	0	0	0	0	0	0	0	0

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

Pears, Fresh New Zealand	2015/2016			2016/2017			2017/2018		
	Market Year Begin: Jan 2016			Market Year Begin: Jan 2017			Market Year Begin: Jan 2018		
(Ha/MT)	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Planted	420	420	420	400	400	400	400	400	400
Area Harvested	403	403	403	371	371	371	375	375	375
Bearing Trees	0	0	0	0	0	0	0		
Non-Bearing	0	0	0	0	0	0	0		

Trees									
Total Trees	0	0	0	0	0	0	0	0	0
Commercial Production	13,731	13,731	13,731	12,350	12,350	11,676	13,000	13,000	13,000
Non-Comm. Production	200	200	200	200	200	200	200	200	200
Production	13,931	13,931	13,931	12,550	12,550	11,876	13,200	13,200	13,200
Imports	3,200	3,231	3,231	3,900	3,900	4,559	4,000	3,500	3,500
Total Supply	17,131	17,162	17,162	16,450	16,450	16,435	17,200	16,700	16,700
Fresh Dom. Consumption	10,731	10,750	10,750	10,750	10,750	10,750	11,400	10,750	10,750
Exports	4,600	4,612	4,612	3,700	3,700	3,785	4,000	4,150	4,150
For Processing	1,800	1,800	1,800	2,000	2,000	1,900	1,800	1,800	1,800
Withdrawal From Market	0	0	0	0	0	0	0	0	0
Total Distribution	17,131	17,162	17,162	16,450	16,450	16,435	17,200	16,700	16,700
TS=TD	0	0	0	0	0	0	0	0	0

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

Trade

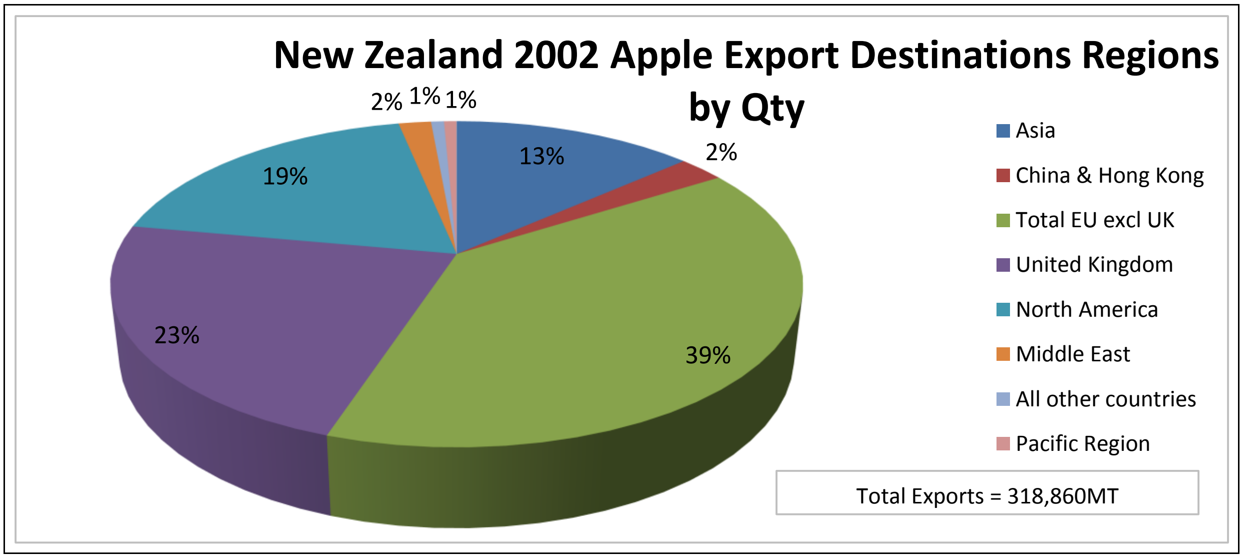
Apple Exports

2017/2018

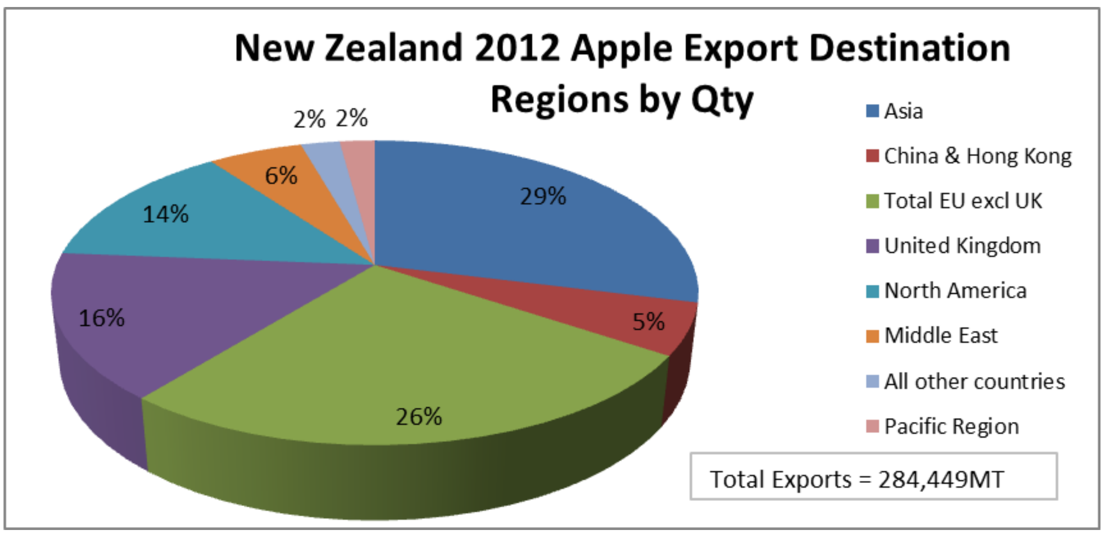
New Zealand apple exports for 2017/2018 are now forecast at 373,500 MT. This is just 0.7 percent less than the previous forecast but still eight percent greater than 2016/2017. This will be the end result of a good growing season that produced high quality fruit. This anticipated volume would surpass the 2004 record export volume of 358,327 MT as well.

The charts below illustrate the progress New Zealand exporters has made since 2002 to achieve meaningful market access and increasing volumes of apples shipped to greater Asia. From 2002 to 2017 the compounding annual rate of growth for volume shipped to Asia was 6.7 percent. Compare this to Europe and the United Kingdom where volumes have retreated since 2002 at an annual compound rate of -2.9 percent.

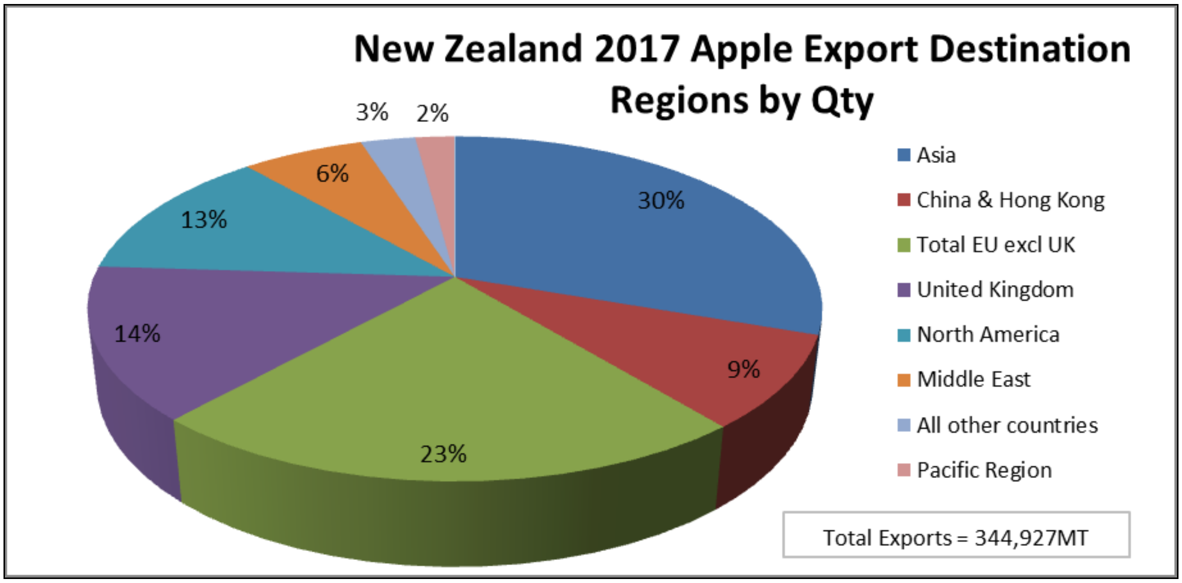
However, apple exports to Asia stalled in 2016/2017. At the same time exports to Europe and the UK were up by 9,600 MT or eight percent. For 2017/2018, similar to 2016/2017, reportedly in-market pricing is strong in Europe while pricing in some Asian destinations looks relatively weaker. This will likely mean the proportions of the 2017/2018 export crop going to each of the main destination regions like Europe and Asia, will be broadly similar to 2016/2017.



Source: GTA



Source: GTA



Source: GTA

2016/2017

2016/2017 finished strongly with apple exports totaling 344,930 MT. This was the result of a much better final export pack-out rate than previously expected.

New Zealand Export Statistics for Fresh Apples							
Calendar Year: 2015 - 2017							
Partner Country	Quantity (MT)			% Share			% Change
	2015	2016	2017	2015	2016	2017	2017/2016
Total for EU	71,935	75,040	78,310	21.86	21.63	22.70	4.36
United Kingdom	47,236	42,925	49,237	14.36	12.37	14.27	14.71
United States	32,070	48,625	38,220	9.75	14.02	11.08	- 21.40
Taiwan	22,096	32,183	23,673	6.72	9.28	6.86	- 26.44
Thailand	30,141	24,889	23,605	9.16	7.17	6.84	- 5.16
United Arab Emirates	18,764	17,785	18,178	5.70	5.13	5.27	2.21
China	20,331	17,491	16,586	6.18	5.04	4.81	- 5.17
Hong Kong	10,599	10,183	13,416	3.22	2.94	3.89	31.74
Vietnam	4,248	8,316	13,311	1.29	2.40	3.86	60.07
India	15,007	13,253	9,667	4.56	3.82	2.80	- 27.06
Rest of world	56,604	56,223	60,727	17.20	16.21	17.61	8.01

World Total	**329,031**	**346,913**	**344,930**	**100.00**	**100.00**	**100.00**	**- 0.57**

Source: GTA

Apple Imports

New Zealand Import Statistics for Fresh Apples			
Year Ending: December			
Partner Country	Quantity (MT)		
	2015	2016	2017
United States	173	281	414
New Zealand(customs re-entry)	1	42	43
Italy	0	0	25
World Total	**174**	**323**	**482**

Source: GTA

Pear Exports

2017/2018

Pear exports are expected to rebound by nearly 10 percent in 2017/2018 to 4,150 MT.

2016/2017

Actual pear exports for 2016/2017 totaled 3,785 MT, 85 MT greater than previously expected.

New Zealand Export Statistics For Fresh Pears								
Calendar Year: 2015 - 2017								
Partner Country	Unit	Quantity (MT)			% Share			% Change
		2015	2016	2017	2015	2016	2017	2017/2016
Taiwan	T	846	1,662	1,226	20.20	36.04	32.38	- 26.26
United States	T	1,102	1,121	1,072	26.32	24.32	28.31	- 4.44
China	T	151	45	326	3.61	0.97	8.62	630.69
United Kingdom	T	644	280	282	15.37	6.06	7.45	0.85
Total for EU	T	174	239	184	4.16	5.18	4.86	-23.01
Tonga	T	68	84	122	1.62	1.82	3.23	45.79
Singapore	T	121	103	117	2.89	2.22	3.10	14.51
Canada	T	250	112	105	5.98	2.44	2.77	- 6.94
Fiji	T	119	251	101	2.83	5.45	2.66	- 59.97
French Polynesia	T	62	93	83	1.48	2.03	2.20	- 10.82

Rest of world	T	650	622	167	15.52	13.49	4.41	-73.15
World Total	**T**	**4,187**	**4,612**	**3,785**	**100.00**	**100.00**	**100.00**	**- 17.92**

Source: GTA

Pear Imports

Since 2008, annual pear imports ranged between 3,000 MT and 4,600 MT with each year's total varying in relation to the availability of domestic pears. This is expected to remain the same for the foreseeable future. For 2016/2017, actual imports were 4,559 MT, 41 percent higher than 2015/2016 imports. Post continues to forecast pear imports for 2017/2018 at 3,500 MT, a 23 percent reduction on 2016/2017, based on an increase in total production, which will mean a greater volume of domestic fruit being available on the domestic market.

New Zealand Import Statistics for Pears							
Calendar Year: 2015 - 2017							
Partner Country	Quantity			% Share			% Change
	2015	2016	2017	2015	2016	2017	2017/2016
Australia	2,839	2,108	3,171	68.75	65.23	69.56	50.46
China	423	505	718	10.25	15.63	15.76	42.28
United States	777	513	572	18.83	15.86	12.56	11.68
Korea South	89	106	93	2.16	3.29	2.05	- 12.17
Italy	0	0	4	0.00	0.00	0.08	0.00
World Total	**4,129**	**3,231**	**4,559**	**100.00**	**100.00**	**100.00**	**41.08**

Source: GTA

Export Trade Policy – Market Access Issues

Market access negotiations and barriers on deciduous fruit typically revolve around Sanitary- Phyto-sanitary (SPS), food safety or biosecurity concerns. The New Zealand deciduous fruit sector currently has no major problems with market access, however, port holdups, labeling issues, increased complexity of phyto-sanitary requirements and political issues are on the rise.