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New Zealand

Fresh Deciduous Fruit

Semi-Annual

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Report Highlights: Unfavorable weather in major growing regions adversely affected the size profile and quality of this year's apple crop. Apple exports during the 2002/03 marketing season will reach 325,000 tons thanks to this year's larger harvest. Export returns, however, are expected to decline in response to a stronger New Zealand dollar and smaller-sized fruit. Pear production and exports dropped sharply this year.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Wellington [NZ1], NZ

SECTION I. SITUATION AND OUTLOOK

Severe frosts in September and October 2002 in the Hawke's Bay region and a major hail storm last November in the Nelson growing zone reduced the size profile and the overall quality of this year's apple crop. Total tonnage harvested, however, is estimated to increase to 495,000 tons. New Zealand's pear crop fell more than 40 percent to 13,500 tons largely due to cool spring weather, heavy pruning and early fruit thinning.

Despite, the increase in apple tonnage, this year's harvest has a smaller proportion of export quality apples (65 percent in 2003 compared with nearly 70 percent in 2002). Apple exports during the 2002/03 season are estimated at 325,000 tons. Fresh pear exports are likely to halve to 5,000 tons. The volume of apples utilized for juice production in 2002/03 will increase nearly 25 percent to 105,000 tons. Apple juice supplies have risen markedly in response to a larger processing volume and increased imports of juice concentrate. With domestic consumption at near stable levels, juice exports will increase sharply to 13,500 tons. Although the largest apple exporters have not yet published export returns for the 2003 season, industry officials believe that difficult global marketing conditions, significantly larger volumes of smaller-sized fruit, and a stronger New Zealand currency will decrease FOB prices approximately 8 percent.

At the United Nations Economic Commission for Europe (UN/ECE) on fruit and vegetables in Geneva, minimum weight-based sizing criteria (independent from a minimum diameter) for apples was accepted as a commercially relevant method for determining size. The European Commission usually adopts the UN/ECE standards for application in the European Community. This represents a breakthrough for the New Zealand pipfruit industry. In the past, New Zealand has been unsuccessful in convincing the UN/ECE to accept minimum weight-based sizing criteria which are independent from a minimum diameter. Pipfruit Growers New Zealand Incorporated (PGNZI) estimates that exports to Europe may increase two to three percent once the new criteria are in place.

New Zealand's pipfruit industry is hopeful that the recent World Trade Organization Dispute Panel ruling on Japan's quarantine measures with respect to the risk of fireblight on commercial apple and pear imports will: (1) improve access for New Zealand apples to the Japanese market, and (2) compel Australia to review its fireblight quarantine measures imposed on New Zealand apple and pear imports. Australia has used similar arguments as Japan to justify restrictions on New Zealand apples into Australia. According to the New Zealand industry, if these quarantine measures were lifted, the annual value of increased apple and pear shipments to Australia could reach as much as NZ \$40 million. Although Australian industry officials maintain that there are significant differences between the U.S.-Japan case and Australian restrictions on New Zealand apples and pears, an import risk assessment currently is being drafted by Australian authorities. The New Zealand industry anticipates that the assessment is likely to reflect important aspects of the recent WTO ruling.

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

PSD Table						
Country	New Zealand					
Commodity	Fresh Apples					(HA)(1000 TREES)(MT)
	2000	Revised	2001	Estimate	2002	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2000		10/2001		10/2002
Area Planted	13500	13500	13000	13000	13000	11700
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	384000	384000	446500	446500	431000	460000
Non-Comm. Production	29000	29000	33500	33500	31000	35000
TOTAL Production	413000	413000	480000	480000	462000	495000
TOTAL Imports	23	23	70	70	70	275
TOTAL SUPPLY	413023	413023	480070	480070	462070	495275
Domestic Fresh Consump	60000	60000	70070	70070	72070	65000
Exports, Fresh Only	260000	260000	325000	325000	288000	325000
For Processing	93023	93023	85000	85000	102000	105275
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	413023	413023	480070	480070	462070	495275

PS&D TABLE - CONCENTRATED APPLE JUICE

PSD Table						
Country	New Zealand					
Commodity	Concentrated Apple Juice					(MT)
	2000	Revised	2001	Estimate	2002	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2000		10/2001		10/2002
Deliv. To Processors	93023	93023	85000	85000	102000	105275
Beginning Stocks	0	0	0	0	0	0
Production	16000	16000	14450	14450	17300	17900
Imports	400	400	1700	1700	200	3600
TOTAL SUPPLY	16400	16400	16150	16150	17500	21500
Exports	9300	9300	9050	7500	10000	13500
Domestic Consumption	7100	7100	7100	8650	7500	8000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	16400	16400	16150	16150	17500	21500

PS&D TABLE - FRESH PEARS

PSD Table						
Country	New Zealand					
Commodity	Fresh Pears					(HA)(1000 TREES)(MT)
	2000	Revised	2001	Estimate	2002	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2000		10/2001		10/2002
Area Planted	995	995	995	995	995	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	20800	20800	19400	19400	19200	11900
Non-Comm. Production	3500	3500	4400	4400	4200	1600
TOTAL Production	24300	24300	23800	23800	23400	13500
TOTAL Imports	1500	1574	1300	2048	1300	3000
TOTAL SUPPLY	25800	25874	25100	25848	24700	16500
Domestic Fresh Consump	12000	12000	11200	11948	11200	9000
Exports, Fresh Only	9100	9100	10500	10500	10000	5000
For Processing	4700	4774	3400	3400	3500	2500
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	25800	25874	25100	25848	24700	16500

TRADE MATRIX

NEW ZEALAND APPLE EXPORTS				
(Calendar Years, MT)				
Destination	2000	2001	2002	2003*
Other EU	115,267	78,224	93,922	84,312
United Kingdom	92,343	76,499	80,955	75,714
United States	78,152	55,782	64,427	40,705
Netherlands	2,539	4,310	21,678	30,174
Taiwan	9,419	6,594	15,481	13,975
Germany	4,055	18,354	15,390	22,409
Malaysia	9,368	7,908	12,356	6,510
Singapore	10,008	7,109	10,127	6,714
Hong Kong	21,246	14,374	8,583	10,548
United Arab Emirates	1,680	2,287	3,985	1,736
Indonesia	5,106	3,575	3,984	3,158
India	1,034	1,966	2,701	2,868
France	253	27	2,582	2,988
Thailand	2,674	2,908	2,428	3,300
Canada	815	113	2,079	3,524
Other	19,877	15,392	13,531	9,850
TOTAL	373,832	295,422	354,209	318,483
* YTD (Jan - Jun)				
Source: Statistics New Zealand				

TRADE MATRIX

NEW ZEALAND PEAR EXPORTS				
(Calendar Years, MT)				
Destination	2000	2001	2002	2003*
United States	6,991	2,204	5,056	1,834
United Kingdom	3,053	1,260	2,549	714
Destination Unknown EU	1,709	358	1,486	230
Netherlands	76	29	1,016	37
Singapore	0	0	125	55
Fiji	4	3	89	4
France	0	0	80	65
Other	49	98	279	126
TOTAL	11,881	3,952	10,680	3,064
* YTD (Jan - Jun)				
Source: Statistics New Zealand				

SECTION III. SUPPLY AND DEMAND, POLICY**PRODUCTION & DEMAND**

Approximately 90 percent of New Zealand's apple production is contributed by the Hawke's Bay (50 percent) and the Nelson (40 percent) regions. Severe frosts last September and October in the Hawke's Bay region and a major hail storm in November in the Nelson region reduced the size profile and quality of this year's crop. Despite the unfavorable weather, New Zealand's apple harvest reached 495,000 tons compared to only 480,000 tons a year earlier. The New Zealand pear crop was less affected by this weather pattern since flowering of pear varieties occurred over a longer period of time (see NZ3001). Nevertheless, the national pear harvest was significantly smaller this season.

The effects of the frosts did not have a uniform impact on apple orchards throughout Hawke's Bay. Export packouts ranged from 50 to 95 percent. The Braeburn crop was characterized by both big and small fruit, but showed significantly less medium-sized fruit. Low calcium levels and misshapen fruit also was evident. Fruit size for the Royal Gala crop had a greater spread than usual, although fruit size tended to be smaller with an average count size of 125 (per 18 kg. box). Overall, quality was better than expected given this season's weather. As a result of the smaller fruit size, 60 percent less fruit was submitted to the Hawke's Bay USDA pre-clearance program compared to the previous season. The apple crop from the Nelson region was less affected by the poor weather witnessed in Hawke's Bay. Export volumes for both the Royal Gala and Braeburn varieties were similar and the size profile was only marginally smaller than shown during the 2002 season.

Post had initially anticipated a reduction in apple export volumes for the 2002/03 season. However, larger volumes of smaller-sized but high quality fruit compensated for a reduced tonnage of larger-sized fruit and total export volume this season is expected to match the 325,000 tons recorded a year earlier.

Pear production this year fell more than 40 percent to 13,500 tons and fresh pear exports almost halved to 5,000 tons. Heavy pruning and early fruit thinning together with cooler spring weather were factors in the smaller harvest.

Apple volume utilized for the production of juice in 2002/03 is estimated to have increased 20,000 tons over a year earlier as a result of the difficult growing conditions. A larger juice output along with increased apple juice concentrate imports will boost apple juice supplies to 21,500 tons. With relatively stable domestic consumption levels, exports are estimated to increase to 13,500 tons compared to only 7,500 tons in 2001/02.

Industry representatives anticipate a steady increase in apple volumes in the near-term. Attractive grower returns in recent years prompted growers to replace old apple trees with higher performing rootstock.

Although apple exporters have not yet published export sales figures for the current 2003 season, industry officials project that difficult global marketing conditions and a stronger New Zealand currency resulted in an 8 percent decline in average FOB price levels. Taking advantage of a two month supply gap in the Chinese apple market (August/September), New Zealand exported 1,128 tons of small-sized Royal Gala apples to the northern port of Longkou where they were packed and marketed as New Zealand apples. Given that the fruit size was relatively-small, the average grower return of NZ \$26 per 18 kg. carton is generally viewed as a significantly better price than that achieved for small-sized fruit sold in other exports markets this season.

The expected consolidation of exporter numbers from more than 80 in the 2002 season has not occurred. However, exporters are seeking to integrate with growing operations and many growers are attempting to become exporters in their own right. ENZA, which exported more than 45 percent of New Zealand's apple exports in the 2002 season, is expected to account for less than 40 percent of New Zealand's apple exports this year.

POLICY

New Zealand's Apple & Pear Breeding Program Continues

A multi-party joint venture, headed by Pipfruit Growers of New Zealand Limited (PGNZI), which seeks to secure future research funding for New Zealand's apple and pear breeding program is unlikely to be finalized before the end of the year (see NZ3008). Majority shareholders PGNZI and Apple and Pear Australia Limited, as well as minority shareholders HortResearch (a New Zealand Government Crown Research Institute), Horticulture Australia Limited (HAL), and HortResearch's global partner, the Associated International Group of Nurseries (AIGN)¹ have agreed in principle to form this joint venture. The partnership will fund both HortResearch's apple and pear breeding program as well as the commercialization of the breeding program's output. The joint venture partners have agreed to fund the breeding research program with NZ \$1.2 million annually in return for access to HortResearch's new apple and pear varieties. Negotiations between the potential partners are expected to be finalized once differing views on commercialization, allocation of intellectual property rights, and preferred options for a shareholding arrangement are resolved. While negotiations continue, HortResearch is funding the apple and pear breeding program from its financial reserves. The joint venture partners have agreed to pro-rata contributions to ensure that funding for the program is not compromised. According to PGNZI, New Zealand apple and pear growers will determine which apple and pear varieties from the breeding program will be commercialized. AIGN will manage the intellectual property generated by the breeding program while HortResearch will be contracted to conduct the actual breeding research.

Weight-Based Sizing Accepted by UN/ECE

¹The group includes growers from Australia/Asian region, the United States, South America, Europe, and South Africa.

During June negotiations in Geneva at the United Nations Economic Commission for Europe (UN/ECE) on fruit and vegetables, New Zealand pipfruit growers achieved a breakthrough in having minimum weight-based sizing criteria (independent from a minimum diameter) for apples accepted as a commercially relevant method for determining size. The committee of UN/ECE experts administers more than 50 quality standards for a wide range of fresh fruit and vegetables. These standards are used by governments, producers, importers and exporters as well as other international organizations, to monitor and control the quality of fruit and vegetables sold in their countries. The European Commission usually adopts the UN/ECE standards for application in the European Community.

New Zealand has to date been unsuccessful in convincing the UN/ECE to accept minimum weight-based sizing criteria which are independent from a minimum diameter. While the current UN/ECE Standard for apples contains weight-based sizing criteria, the minimum size criteria is determined by a diameter measurement. New Zealand's government and industry representatives have maintained that the weight method accurately and verifiably determines size, and that this method is both commercially effective and relevant. The New Zealand delegation also argued that this sizing standard is commercially used by most consumers, retailers, and by a significant portion of apple producing countries. Acceptance of the new standard should encourage increased fruit shipments to European markets. In the past, apples meeting minimum weight requirements were rejected because they did not meet minimum diameter requirements. Pipfruit Growers New Zealand believes that acceptance of the new standard may result in an increase in apple export volumes to Europe of two to three percent. Additionally, local packinghouses which predominantly use weight sizing equipment would no longer have to calibrate their sizing equipment to adjust for varietal and regional diameter differences.

WTO/Japan Fireblight Ruling

The World Trade Organization Disputes Panel ruled in July that Japan's quarantine measures to eliminate the risk of introducing fireblight on commercial imports of apples and pears were inconsistent with the WTO Agreement on Sanitary and Phytosanitary Measures (SPS Agreement). The case was taken by the United States and backed by New Zealand as a third party. Australia, which has similar concerns as those expressed by Japan, was a third party to Japan's case. The WTO ruling is important to New Zealand because Australia has used similar arguments as Japan to justify its own restrictions on New Zealand's apples. The WTO Disputes Panel ruled that scientific evidence did not support Japanese assertions that trade in apples and pears presented a fire blight risk. Therefore, the various measures Japan has put in place to deal with the purported risk are unjustified. Although Japan has appealed the ruling, the New Zealand Ministry of Agriculture and Forestry expects the WTO appellate body to uphold the panel ruling. The New Zealand apple and pear industry views the WTO ruling as a breakthrough in its own efforts to eliminate trade restrictions on apple and pear exports to Australia which have been in place since the early 1920's. According to industry estimates, if Australian restrictions are lifted, annual export value could increase NZ \$40 million. Although Australia maintains that there are no parallels between the U.S.-Japan case and Australian restrictions on New Zealand's apple and pear imports, Australian authorities are understood to be preparing a draft import risk assessment for New Zealand apples which is likely to reflect important aspects of the WTO ruling.

The New Zealand industry has identified similarities between Japan's SPS requirements and those imposed by the Australian Department of Agriculture, Fisheries, and Forestry's eleven measures that New Zealand growers must comply with. Five of the most restrictive requirements have strong similarities to measures imposed by Japan on imports of U.S. apples and pears; all of which were deemed to be without sufficient scientific evidence by the WTO.

The New Zealand industry is aware that Japan has appealed the WTO decision and anticipates that it will take at least two years before better access into the Australian market may be attained. New Zealand hopes that access into the South Korean market, which also has placed restrictions on New Zealand's fruit over fireblight concerns, may improve as a result of the WTO ruling.