



Scheduled Report - public distribution

Date: 1/14/1999

GAIN Report #NZ9003

## New Zealand

# KIWIFRUIT REPORT

## KIWIFRUIT SITUATION & OUTLOOK

### 1999

Approved by:

**Gary Meyer**

**U.S. Embassy**

Drafted by:

Maxine Yule

---

**Report Highlights:** New Zealand's export kiwifruit crop is expected to decline to 57 million trays (221,000 MT) in 1999, 10 percent down on last season's harvest. High returns in 1998 have boosted grower confidence, resulting in increased investment in the new Hort 16A variety. In response to the New Zealand Government's May 1998 Budget request for all producer boards to develop plans for operating without statutory backing, Kiwifruit New Zealand has a plan reflecting changes already endorsed by the industry, including retaining its export monopoly privileges.

---

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

SECTION I	SITUATION AND OUTLOOK .....	Page 2 of 11
SECTION II	STATISTICAL TABLES .....	Page 3 of 11
	Kiwifruit PSD Table .....	Page 3 of 11
	NEW ZEALAND KIWIFRUIT EXPORTS .....	Page 4 of 11
	NEW ZEALAND KIWIFRUIT EXPORT PRICES .....	Page 5 of 11
	New Zealand Kiwifruit Industry Statistics .....	Page 6 of 11
	N.Z.\$ : U.S.\$ EXCHANGE RATE .....	Page 6 of 11
SECTION III	SUPPLY, DEMAND, POLICY AND MARKETING .....	Page 7 of 11
	PRODUCTION .....	Page 7 of 11
	PS&D Changes .....	Page 7 of 11
	1999 Kiwifruit Crop Curbed by Poor Budbreak .....	Page 7 of 11
	Bumper Kiwifruit Crop in 1998 .....	Page 7 of 11
	Orchard Prices Soar as Optimism Spreads .....	Page 7 of 11
	Kiwifruit New Zealand Controls New Variety .....	Page 7 of 11
	1998 Kiwifruit Returns Up 20 Percent .....	Page 8 of 11
	CONSUMPTION .....	Page 9 of 11
	Californian Imports To Meet Domestic Shortfall .....	Page 9 of 11
	TRADE .....	Page 9 of 11
	New Zealand Targets United States .....	Page 9 of 11
	POLICY .....	Page 9 of 11
	KNZ Prepares for Deregulation .....	Page 9 of 11
	MARKETING .....	Page 10 of 11
	1999 Zespri Gold Launch .....	Page 10 of 11
	Zespri Mania Promotion Hits the United States .....	Page 10 of 11
	Zespri International and ENZA Form Strategic Alliance .....	Page 10 of 11
	KNZ Invites Collaborative Marketing Proposals .....	Page 10 of 11
	KNZ Plans 12-Month Marketing .....	Page 10 of 11

## SECTION I                      SITUATION AND OUTLOOK

New Zealand's export kiwifruit production is expected to reach 221,000 MT ( 57.0 million trays) in 1999, down 10 percent on last year's bumper crop of 63.1 million trays. (Note: 1 tray =3.6 kilograms). Warm winter conditions have resulted in poor budbreak and flowering this season while wind has damaged some new plantings of the golden Hort 16A variety. Last season's bumper crop flourished in the warm El Nino conditions with orchards receiving enough rain to keep fruit growing. Yields were up to an estimated 6,010 export trays/ha and fruit size was nearer Kiwifruit New Zealand's preferred size profile of around count 32.

Kiwifruit growers are expected to receive an average N.Z.\$6.40 per tray for fruit sold in 1998. Individual prices for each class of fruit vary from N.Z.\$4.48/tray for K1W1 Class 2 Hayward fruit to N.Z.\$21.51 for Hort 16A. Kiwifruit New Zealand (KNZ) attributes the improvement in 1998 prices to the devaluation of the New Zealand dollar, improved entry to the United States market and opportunities in European markets this season. New season fruit returns are forecast to be in the range of N.Z.\$5.40-N.Z.\$5.50/tray.

Kiwifruit New Zealand (N.Z. Kiwifruit Marketing Board) is likely to be the first of New Zealand's statutory producer boards to transform itself into a grower-owned private company. KNZ has been undergoing an industry review since 1995, and Stage III of the review includes the recommendation that KNZ be corporatized. Full corporatization will require enabling legislation to be passed by Government.

In response to the New Zealand Government's May Budget request for all producer boards to develop plans for operating without statutory backing, KNZ has developed a strategic plan closely reflecting the changes already endorsed by the industry. KNZ's strategic plan includes:

- Corporatization of KNZ.
- Collaborative marketing initiatives.
- 12 month marketing of kiwifruit.
- Retaining it's single-desk marketing approach.

The 1999 season will see the launch of Zespri Gold (Hort 16A), New Zealand's newest kiwifruit variety. Zespri Gold production stands at around 105,000 trays but growers are quickly converting Hayward vines to the new golden colored, tropical tasting fruit. Zespri Gold production is expected to make up 10 percent of New Zealand's kiwifruit crop by 2003.

## SECTION II STATISTICAL TABLES

### Kiwifruit PSD Table

PSD Table						
Country:	New Zealand					
Commodity:	Kiwifruit					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Bearing Area	10450	10450	10500	10500	0	10500
Non-Bearing Area	250	250	250	250	0	250
TOTAL Area Planted	10700	10700	10750	10750	0	10750
TOTAL Area Harvested	10450	10450	10500	10500	0	10500
TOTAL Production	235000	235000	245000	245000	0	221000
Imports	0	0	0	70	0	0
TOTAL SUPPLY	235000	235000	245000	245070	0	221000
Exports	205000	205000	215000	215000	0	195000
Domestic Consumption	30000	30000	30000	30070	0	26000
TOTAL DISTRIBUTION	235000	235000	245000	245070	0	221000

<b>NEW ZEALAND KIWIFRUIT EXPORTS</b>					
Calendar years, tons					
<b>Destination</b>	<b>1996</b>	<b>1997</b>	<b>1998 YTD Jan - Sept</b>	<b>1998e*</b>	<b>1999f*</b>
E.U.	113,801	115,530	90,379	96,250	100,000
Japan	43,328	35,566	28,509	30,000	34,000
United States	1	778	11,095	14,000	15,500
Spain	0	0	10,257	11,000	0
Australia	18,141	16,815	10,254	11,000	13,000
Italy	0	0	10,111	11,000	0
Taiwan	9,894	10,195	6,868	7,500	9,000
United Kingdom	0	0	5,858	6,000	0
Belgium	0	0	3,229	3,500	0
Korea	5,058	5,031	2,664	3,000	3,500
Canada	11,679	6,138	2,127	2,200	2,500
Argentina	6,525	3,635	1,785	2,000	2,000
China	818	962	1,449	1,500	1,500
Hong Kong	2,659	2,537	1,404	1,500	2,500
Saudi Arabia	1,297	1,539	1,184	1,500	1,500
Mexico	1,063	1,022	1,177	1,250	1,000
Other	18,420	15,829	9,028	11,800	9,000
<b>TOTAL</b>	<b>232,685</b>	<b>205,882</b>	<b>197,378</b>	<b>215,000</b>	<b>195,000</b>

Source: Statistics New Zealand.

\* - Post estimate/forecast.

<b>NEW ZEALAND KIWIFRUIT EXPORT PRICES</b>			
N.Z.\$/ton			
<b>Destination</b>	<b>1996 Cal Year</b>	<b>1997 Cal Year</b>	<b>1998 YTD Jan - Sept</b>
E.U.	1,782	1,586	1,857
Japan	2,556	2,692	2,815
United States	2,891	1,504	986
Spain	na	na	1,940
Australia	753	885	1,042
Italy	na	na	1,929
Taiwan	1,604	2,493	2,500
United Kingdom	na	na	2,135
Belgium	na	na	1,913
Korea	1,997	1,909	1,449
Canada	1,580	1,200	771
Argentina	1,481	1,329	438
China	2,482	2,120	2,246
Hong Kong	1,663	2,091	2,470
Saudi Arabia	729	1,907	2,291
Mexico	1,309	1,279	1,051
Other	1,408	612	1,790
<b>TOTAL</b>	<b>1,709</b>	<b>1,760</b>	<b>1,916</b>

Source: Statistics New Zealand.

<b>New Zealand Kiwifruit Industry Statistics</b>						
	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>
<b>CROP VOLUME</b>						
Return per tray (N.Z.\$)	\$3.85	\$4.30	\$4.90	\$4.22	\$4.35	\$4.56
Trays submitted (000's)	67,652	55,343	55,807	58,773	63,113	57,259
Trays sold	52,273	49,218	49,891	48,652	56,247	56,169
Trays sold (percent)	77	89	89	83	89	98
Crop management (trays)	n/a	1,843	1,104	3,901	1,339	-
Fruit loss/not sold (trays)	15,379	4,282	4,812	6,220	5,527	3,840
<b>GENERAL</b>						
Number of growers/suppliers	3,327	2,748	2,335	2,205	1,596	1,830
Ave. no. trays submitted per grower	20,334	20,139	23,900	26,654	39,545	31,289
Number of orchards	3,724	3,276	2,833	2,796	2,757	2,725
Planted hectares	14,594	12,256	10,161	10,210	10,329	10,430
Yield per hectare (trays)	4,636	4,516	5,492	5,756	6,110	5,490
Orchard gate return per ha	\$2,988	\$15,312	\$18,210	\$14,860	\$16,134	\$15,110
<b>PACKHOUSES/COOLSTORES</b>						
Number of packhouses	349	252	190	148	137	127
Ave. no. trays packed per packhouse	193,845	212,300	287,907	370,754	450,904	450,855
Number of coolstores	180	146	125	119	106	111
Ave. trays stored per coolstore	375,844	366,436	437,618	461,105	582,772	515,844

Source: N.Z. Kiwifruit Marketing Board Annual Report 1997/98.

<b>N.Z.\$ : U.S.\$ EXCHANGE RATE</b> (Calendar Year, average mid-rates for period)	
1996	0.6896
1997	0.6630
1998 Jan - Oct	0.5383
1999f	0.5000

Source: Reserve Bank of New Zealand.

## SECTION III SUPPLY, DEMAND, POLICY AND MARKETING

### PRODUCTION

#### *PS&D Changes*

1998 Kiwifruit Imports have been adjusted to reflect market shortfalls in New Zealand.

#### *1999 Kiwifruit Crop Curbed by Poor Budbreak*

New Zealand export kiwifruit production in 1999 is expected to decline 10 percent to 221,000 MT (57.0 million trays) due to poor flowering and many hectares of established vines being converted to Hort 16A (Chinensis/Zespri Gold). By mid October growers reported severely reduced flowering, down from 1000-1200 buds per 25 square meter bay in their orchards to just 400-600 flower buds per bay. Orchards in South Auckland, Gisborne and Northland also report poor flowering. A mild winter is responsible for the small number of flower buds. Kiwifruit vines require cool winter temperatures to break dormancy.

Wind damage has cut back the new golden colored Hort 16A crop this season, marking fruit and tearing off leaves. Added to lighter flowering due to the mild 1998 winter, horticultural consultants expect the Hort 16A crop to be reduced by up to 10 percent. Hort 16A vines were more susceptible to wind damage because of their immaturity. High winds had struck the vines when the fruit was most vulnerable at its soft-skinned stage, but growers hope this early cosmetic damage will disappear as the fruit matures. Growers are quickly switching to Hort 16A, grafting it onto existing Hayward vines. Hort 16A is a golden colored fruit with a 'tropical' flavor and by 2002-03 it is expected to account for 10 percent of the total crop.

#### *Bumper Kiwifruit Crop in 1998*

Export kiwifruit production in 1998 reached 245,000 MT or 63.1 million cartons. The main growing region, the Bay of Plenty, had an excellent season which resulted in increased yields and good sized fruit. Warm temperatures at pollination set the vines up well for the season. Rainfall was lower than average but there was sufficient intermittent rain to encourage good fruit growth. For further information on the 1998 kiwifruit crop see NZ8025.

#### *Orchard Prices Soar as Optimism Spreads*

Kiwifruit orchard prices in the Bay of Plenty have soared as industry prospects improve. Orchards which had come up for sale recently had sold for prices between N.Z.\$18 and N.Z.\$20 (U.S.\$9.70 and U.S.\$10.75) per tray of fruit produced. In comparison, prices for the best orchards sold a year ago were around N.Z.\$12 to N.Z.\$13 (U.S.\$7.95 and U.S.\$8.60) per tray. Most sales were being made to existing growers. Last season's success with Hort 16A, a golden fleshed kiwifruit variety, had also increased growers confidence to invest.

#### *Kiwifruit New Zealand Controls New Variety*

New Zealand's latest kiwifruit variety, Hort16a, will be controlled by the Kiwifruit New Zealand. The new variety was developed by the Crown Research Institute, HortResearch, in a joint venture with Kiwifruit New Zealand. The intellectual property, or plant variety rights, are owned by HortResearch and KNZ holds an exclusive license to market the fruit. Kiwifruit growers will pay for the Zespri Gold graftwood and pay a levy on their returns. These royalties will be channeled into further kiwifruit research and development. Legal protection under plant variety rights can last up to 23 years.

Consideration is being given to licensing growers internationally to supply Hort 16A once it is established in overseas markets. Franchising northern hemisphere growers for Hort 16A - to be sold under the Zespri brand - would allow KNZ to supply supermarkets year-round. Northern hemisphere growers would also be required to pay royalties to grow Hort 16A.

KNZ spends between N.Z.\$3 million (U.S.\$1.6 million) and N.Z.\$4 million (U.S.\$2.1 million) per year on research and development. KNZ's strategy aims to release a new variety every five years. The Board says it has a number of different colored and shaped varieties under its R&D breeding program currently.

### ***1998 Kiwifruit Returns Up 20 Percent***

KNZ has forecast that growers will get a net return of N.Z.\$404.3 million, or N.Z.\$6.40 per tray, based on 63.1 million trays submitted. This represents a N.Z.\$6 million increase over the N.Z.\$398.6 million forecast in November 1998. The Board attributes the result to an excellent selling season, although the key driver in increased revenue has been the short European kiwifruit crop, the development of the United States market and a substantial depreciation of the New Zealand dollar. KNZ will confirm its payout in May 1998.

<b>1998 SEASON FORECAST RETURN ANALYSIS</b>			
<b><i>Description</i></b>	<b><i>1998</i></b>		
	<b><i>Net Volume (millions trays)</i></b>	<b><i>N.Z.\$/3.6 kg tray</i></b>	<b><i>Return (\$m)</i></b>
Class 1 Hayward	59.94	6.38	382.62
Organic	0.959	9.20	8.83
Transitional Organic	0.767	6.38	4.89
Hort 16A	0.071	21.51	1.54
K1W1 Class 2 Hayward	1.336	4.48	5.98
Organic Class 2	0.041	6.08	0.25
Hort 16A Class 2	0.034	5.24	0.18
<b>TOTAL ALL POOLS</b>	<b>63.144</b>	<b>6.40</b>	<b>404.29</b>

Source: KNZ Kiwiflier

An increasing proportion (up to 15 percent) of the final fruit return to growers is now coming from add-ons or incentive payments such as early start and rebates from packhouses and coolstores. While Class I export still dominates the crop, there are six other pools (see table above) which will gain increasing volumes of fruit. As can be seen in the 1998 Forecast table, there is a greater variation in the average price received price growers and the industry average price has become less meaningful.

Returns for 1999 season kiwifruit are expected to decline to an estimated N.Z.\$5.40-N.Z.\$5.50/tray. Good

prices gained by the weak New Zealand dollar and a smaller crop to market are expected to be offset by higher marketing and operational overheads.

## CONSUMPTION

### *Californian Imports To Meet Domestic Shortfall*

Californian kiwifruit is now selling in New Zealand supermarkets. New Zealand kiwifruit is unavailable in local markets due to international commitments. The local market was depleted by strong demand from Australia and a larger than usual amount of fruit having to be sold as stock food because it was not firm enough for storage. New Zealand consumers are paying up to N.Z.\$6.00/kg (U.S.\$3.22/kilogram) for imported Californian fruit, compared to the usual N.Z.\$2.50/kg (U.S.\$1.35/kg) for domestic kiwifruit.

## TRADE

### *New Zealand Targets United States*

New Zealand exports of kiwifruit year-to-date January 1998 through September 1998 to the United States have reached 11,000 MT compared to 778 MT in 1997. Zespri International, KNZ's marketing arm, suspended its marketing efforts in the United States following an anti-dumping determination by the US International Trade Commission (ITC) in 1991. The decline of the anti-dumping duty has resulted in Zespri International re-entering the U.S. market. KNZ has described 1998 U.S. market sales as "the brightest star" among its emerging markets with strong demand, high prices, and larger sales volumes.

## POLICY

### *KNZ Prepares for Deregulation*

Kiwifruit New Zealand is likely to be the first of New Zealand's statutory producer boards to transform itself into a grower-owned private company. In its May 1998 Budget, the Government of New Zealand announced its intention to review the statutory backing of New Zealand's agricultural producer boards and invited each board to file plans for operating without statutory backing. In accordance with the Government's request, Kiwifruit New Zealand has developed a strategic plan. Key points of KNZ's strategic plan include:

- Achieving corporatization of Kiwifruit New Zealand, defining shareholding ownership and value.
- Facilitating collaborative marketing third party initiatives.
- Advance to year-round marketing of kiwifruit.
- Further enhancing the business in identified strategic and developing markets.
- Shifting the contractual relationships between supply entities and ZESPRI International.
- Building value through new brands and products.
- Increase accountability, transparency and efficiency of ZESPRI International.

New Zealand's kiwifruit growers had already endorsed the move to corporatization in an industry referendum in November 1997. Full corporatization of Kiwifruit New Zealand will require an amendment to the Primary Products Marketing Act. KNZ hopes to have the legislation amended by April 1, 1999.

For further information:

NZ8055 - Kiwifruit New Zealand One Step Closer to Corporatization.

NZ8056 - Kiwifruit New Zealand Submits Plan for Deregulation.

## **MARKETING**

### ***1999 Zespri Gold Launch***

This season will see the official launch of Zespri Gold, the marketing name for Hort 16A. Last year about 105,000 trays of the variety were grown and successful taste trials with consumers in Japan and Europe were held. Prices last season were extremely high, returning around N.Z.\$21 per tray compared to N.Z.\$6.38 for the green Hayward variety and N.Z.\$9.20 for certified organic fruit. Industry sources believe that realistically the premium may settle down to about N.Z.\$3 or N.Z.\$4 over Hayward fruit as Hort 16A production increases.

### ***Zespri Mania Promotion Hits the United States***

Zespri International kicked off its 1998 North American selling season with a promotional campaign called the Zespri Mania Taste Tour. The promotion began in July 1998 and ran through to October 1998 featuring a fleet of six bright green VW Beetles emblazoned with the Zespri Kiwi logo. The cars stopped in retailer parking lots, at local parks, beaches and other summer venues to hand out samples. A "Free Totebag" promotion was also held in which consumers had to mail in 12 Zespri Kiwi stickers, a proof of purchase receipt and an entry form. Zespri also introduced a unique Kiwi-colored cut and scoop spoon to encourage consumers to slice kiwifruit open and scoop out the flesh.

### ***Zespri International and ENZA Form Strategic Alliance***

Zespri International and the N.Z. Apple and Pear Board's marketing arm ENZA have developed a strategic relationship which will see a merging of sales, shipping and marketing resources in the United Kingdom. Key business partners will have a single point of contact for both New Zealand apples and kiwifruit. Each organization will use its own brand, retain ownership of its products and invoice customers separately.

### ***KNZ Invites Collaborative Marketing Proposals***

KNZ reports that its Collaborative Marketing Committee received 51 expressions of interest after advertising. Following three work shops, 12 applications were received. The committee is working through these and a final recommendation is expected in January 1999. Collaborative marketers will be given permission by KNZ to source fruit locally and then market it independently offshore. Collaborative marketing proposals must meet a set of 12 criteria. The Board has approved the maximum percentage of crop allocated for the collaborative marketing program - 5.0 percent of the KiwiGreen crop and 10.0 percent of the organic crop in 1999.

### ***KNZ Plans 12-Month Marketing***

KNZ plans to start 12 month marketing of Zespri kiwifruit as soon as it obtains agreement from the industry to do so. KNZ believes that 12-month marketing is an appropriate response to major European supermarkets signalling that they would prefer to deal with one supplier for a product all year round. KNZ has proposed that a separate company be formed to procure off-shore fruit with Zespri carrying out the marketing. It is believed that KNZ's short term intention is to market off-shore kiwifruit to a few key customers and over time build on that base. Initially only Hayward kiwifruit would be sourced off-shore but in time Zespri Gold is expected to grown by franchised off-shore producers as well. KNZ has outlined several major benefits of 12 month marketing to growers, including:

- 12 month marketing will allow consolidation of the Zespri brand and category share.
- Overcome problems of limited Hayward expansion.
- Year-round use of Zespri infrastructure will maintain trade relationships and lower overheads.
- Extend industry expertise by going global.

Some growers are reluctant to have the Zespri brand label used on off-shore produced fruit, fearing that it may reduce the premium currently enjoyed by N.Z. growers. An industry 12-Month Supply Committee has been formed to prepare a proposal for growers.