

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date: 11/29/2013

GAIN Report Number: NZ1317

New Zealand

Fresh Deciduous Fruit Annual

New Zealand Apple and Pear Sector Report November 2013

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Report Highlights:

A biennial bearing “off” year in MY2013 means the forecast production for apples of 511,000 metric tons should give rise to 305,000 metric tons of export apples. This won’t match MY 2012’s stellar performance of 320,000 metric tons of apples exported from production of 531,000 metric tons.

Executive Summary

It is very unlikely the planted area for Marketing Year (MY) 2013 (New Zealand 2014 harvest) will be materially different from the MY2012 year at 8,820 hectares for apples and pears in total. However there are anecdotal reports that apple tree orders at the nurseries have increased significantly for plantings a couple of years away.

A biennial bearing "off" year in MY2013 is likely to depress apple and pear production, by four percent, down to 511,000 metric tons and 13,765 metric tons respectively.

There is confidence in the sector at the moment with growers enjoying possibly the most profitable year (MY2012) for over a decade. Free-on-board (FOB) prices for MY2012 are running at 20% above MY2011. Good yields and costs not materially greater than the previous year should see growers bank most of the price gain as profit.

Domestic consumption for MY2013 is forecast at 75,100 metric tons for apples and pears combined which will be 3.5 percent less than MY2012. The total apple and pear tonnage going to processing in MY2013 is forecast at 145,000 metric tons which is only 1% down from the previous year. If growers are able to increase the export pack-out rate in 2014 then there is a good chance this volume could reduce further.

As a result of the forecast production drop apple exports for MY2013 are likely to be reduced by five percent to 305,000 metric tons. There is a reasonable chance of a greater volume if the export pack-out rate is increased and the weather is cooperative.

The results for MY2012 look to be stunning. Apple shipments are forecast at 320,000 metric tons. This is 13 percent ahead of shipments in MY2011. Notable for MY2012 is the higher volume of apples which have gone to the EU, estimated at 90,659 metric tons year-to-date, compared with 75,206 metric tons for the previous year. For the UK, the single largest destination, volumes shipped are stable at 44,000 metric tons. The US is the second most popular final destination for New Zealand apples. At 38,745 metric tons year-to-date, an extra 15 percent has been shipped compared to the previous year.

New Zealand apple exports to China and Hong Kong really picked up the pace in MY2012 with year-to-date volumes up 37 percent at 21,084 metric tons and prices up 22 percent. This was achieved despite the detection of a post-harvest rot on some fruit in China, which brought about a voluntary cessation of the trade for the rest of the year.

Pipfruit New Zealand Inc. announced in August 2013 a billion dollar vision for improving the deciduous fruit industry, and a new strategy to get there. A top priority of their eight point plan is increasing the effectiveness at improving terms of market access. PNZI estimates that ultimately 75 percent of its funding is spent on market access in one way or another.

Note: The Marketing Year MY2013 is from Jan1, 2014 to Dec31, 2014 and will be referred to as either 2013/2014 or MY2013 in the text. Similarly MY 2012 is shown as 2012/2013. CY2014 refers to the calendar year 2014

Note2: A TCE stands for Tray Carton Equivalent and is 18.0 kilograms of fruit

Planted Area

Anecdotal comments are suggesting the planted area going in to the 2014 harvest (MY2013) will not be significantly different to the previous year at 8,372 hectares (ha) of apples and 448 ha of pears. Pipfruit New Zealand Incorporated (PNZI), the industry's representative body, has not released an updated planting survey for the 2013/2014 growing season yet. There has been some replanting as growers remove poor performing blocks and look to replace with new varieties.

It has been reported that orders at the apple tree nurseries are up significantly which is pointing to a lift in orchard planting over the next one to three years over and above the current replanting levels. There is some confidence in the sector at the moment. The sector has had a profitable year in 2013 and most growers, packers, and exporters can see a sustainable future now if they can provide the right product into Asia and the Middle East.

Table of Deciduous Fruit Plantings in New Zealand by Variety (in Hectares)									
Market Year for FAS	MY2004	MY2005	MY2006	MY2007	MY2008	MY2009	MY2010	MY2011	MY2012
Calendar Yr of Harvest	2005	2006	2007	2008	2009	2010	2011	2012	2013
Braeburn	3,159	2,464	2,484	2,246	2,034	1,869	1,740	1,589	1,504
Royal Gala & sports	3,393	2,872	2,893	2,669	2,538	2,417	2,423	2,369	2,386
Cox	401	354	314	295	281	248	236	203	178
Fuji	1,018	875	836	829	899	931	970	934	906
Granny Smith	374	322	294	286	282	267	256	256	246
Cripps Pink/Pink Lady	349	287	248	285	353	397	434	446	459
Jazz	289	440	576	768	917	977	983	943	905
Pacific Beauty	351	250	177	162	149	135	127	120	113
Pacific Queen	351	306	223	212	220	263	291	351	456
Pacific Rose	819	642	529	454	424	416	399	396	390
Other Varieties/Unidentified	257	184	192	333	388	712	611	717	829
Total Apple Area	10,761	8,996	8,766	8,539	8,485	8,632	8,470	8,324	8,372
Total Pear Area	936	722	735	412	412	431	473	441	448
Total	11,697	9,718	9,501	8,951	8,897	9,063	8,943	8,765	8,820
Braeburn as % of Apple Area	29.4%	27.4%	28.3%	26.3%	24.0%	21.7%	20.5%	19.1%	18.0%
Royal Gala as a % of Apple Area	31.5%	31.9%	33.0%	31.3%	29.9%	28.0%	28.6%	28.5%	28.5%

Source: PNZI

Apple Production

MY 2013 (2014 harvest)

Total production for MY2013 is forecast at 511,000 metric tons (MT) which is a four percent reduction from MY2012. The main reason for the forecast production drop of 20,000 metric tons

(MT) is the 2013/2014 growing season will be a biennial bearing "off" year. Countering the biennial bearing "off" year decline in yields to some extent are the generally very good growing conditions so far for the 2013/2014 growing season. This has given rise to good blossoming, then strong fruitlets which will help fruit size and color. Higher average fruit sizes may offset to some extent the lower crop load (fruit numbers on the trees). Growers are likely to accentuate management to support fruit size and color to maintain price premiums they have achieved in export markets over the last two years.

A wet spring (August to October 2013) in Nelson, the second largest growing area, has increased disease pressure on trees. Depending on growers vigilance this may impact on export pack-outs at harvest next year. European Canker proliferation was not in evidence during the 2012/2013 summer but with the wet spring conditions orchardists will need to be pro-active to stop the spread of the disease.

MY2012 (2013 Harvest)

Total apple production is now put at 531,000 Metric Tons (MT) which is two percent up on the previous forecast. The main reason behind the boost in production comes from nearly all the orchard trees having synchronized their biennial bearing tendencies into the same year following widespread frosts in 2007. The 2013 harvest was a biennial bearing "on" year.

In addition generally the weather (cool nights, clear days January through May 2013) was beneficial for crop development despite hail and frost events early in the growing season in Hawkes Bay, and hail and wind damage in Nelson. The frost events may have been responsible for the loss of some of the earliest/strongest fruit buds which later on grow the biggest size fruit. While orchards in general were still carrying full crop loads there was difficulty sizing the fruit up to get the optimum fruit size distribution. The North Island wide drought, lasting from December 2012 to April 2013, did affect a small number of growers in the Hawkes Bay who lost access to irrigation during the last three months leading up to harvest.

The earlier harvest cultivars such as the Royal Gala types have been reported as having great quality this year with the color, brix, and dry matter content all described as being good. The Royal Gala crop fruit sizes are on the small side of average but suitable for the Asian markets. Large sized fruit is always in demand for the North American markets.

The later harvest varieties such as Braeburn and Jazz packed out with a more variable quality out-turn and drought stressed fruit was more noticeable.

The Fuji crop was rated as having a lot of fruit with substandard color however with the main market in Taiwan not looking very promising (a big supply of fruit from Washington State and Chile kept prices in check), growers held fruit on trees longer before harvest. The result was the well ripened and better colored fruit being in good demand in Taiwan and elsewhere.

Pear Production

MY 2013 (2014 harvest)

It is likely the biennial bearing influence will also cause pear production to reduce to 13,765 MT which would be a three percent fall.

MY2012 (2013 harvest)

The good weather for crop growth extended to pears and production is estimated to be up again at 14,400 MT. This represents a ten percent increase.

Production, Supply, and Distribution Tables

Apples, Fresh New Zealand (HA)/(MT)	2011 2011/2012		2012 2012/2013			2013 2013/2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013			Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	Old Post	New Post	USDA Official	New Post
Area Planted	8,300	8,324	8,400	8,372	8,372		8,372
Area Harvested	8,200	8,200	8,300	8,275	8,275		8,275
Bearing Trees	0	0	0	0			
Non-Bearing Trees	0	0	0	0			
Total Trees	0	0	0	0	0		0
Commercial Production	465,000	465,000	503,000	503,000	515,500		495,500
Non-Comm. Production	15,000	15,000	16,000	16,000	15,500		15,500
Production	480,000	480,000	519,000	519,000	531,000		511,000
Imports	1,100	1,129	750	750	1,150		1,100
Total Supply	481,100	481,129	519,750	519,750	532,150		512,100
Fresh Dom. Consumption	62,900	63,000	73,450	67,500	67,650		65,100
Exports	284,500	284,451	300,000	306,000	320,500		305,000
For Processing	133,700	133,678	146,300	146,250	144,000		142,000
Withdrawal From Market	0	0	0	0	0		0
Total Distribution	481,100	481,129	519,750	519,750	532,150		512,100
TS=TD		0		0	0		0

Pears, Fresh New Zealand (Ha/MT)	2012 Market Year Begin: Jan 2012		2013 Market Year Begin: Jan 2013			2014 Market Year Begin: Jan 2014	
	Official Data	New Post Data	Official Data	Old Post Estimate	New Post Data	Official Data	New Post Data
	Area Planted	440	441	450	448	448	
Area Harvested	440	441	450	448	448		448
Bearing Trees							
Non-Bearing Trees							
Total Trees	0	0	0	0	0		0
Commercial Production	11,600	11,554	12,850	12,850	14,200		13,765
Non-Comm. Production	200	200	200	200	200		200
Production	11,800	11,754	13,050	13,050	14,400		13,965
Imports	3,700	3,729	3,300	3,300	3,500		3,500
Total Supply	15,500	15,483	16,350	16,350	17,900		17,465
Fresh Dom. Consumption	10,000	10,000	10,000	10,000	10,200		10,000
Exports	3,000	2,983	3,350	3,350	4,700		4,465
For Processing	2,500	2,500	3,000	3,000	3,000		3,000
Withdrawal From Market	0	0	0	0	0		0
Total Distribution	15,500	15,483	16,350	16,350	17,900		17,465
TS=TD		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>

Grower Returns

Growers should have smiles on their faces this year, after one of the most successful exporting seasons ever. Average Free-on-Board (FOB) prices at \$NZ27.69/TCE for the year- to-date MY2012 are 20 percent above those achieved in the same period in MY2011.

The Ministry for Primary Industries (MPI) discontinued their orchard economic survey in 2012, so there is no reputable aggregate orchard data for up to date revenue and expenses. However anecdotally it is thought with the bigger crop average costs per TCE for MY2012 will be no higher than MY2011. This would mean virtually all the extra \$NZ4.70/TCE earned from exports should flow through to profits. Over the last few years profits have been nonexistent to a maximum of approximately \$NZ3.00/TCE. So the returns for MY2012 should result in a giant leap for on-orchard profitability.

Consumption

Total domestic consumption for MY2013 (2013/14 production season) is forecast at 75,100 MT for apples and pears combined, which is 3.5 percent less than MY2012. The plentiful supplies of apples and pears at reasonable prices which was a feature of MY2012 are not likely to be repeated in MY2013 which may curb consumption. In addition, it is very unlikely that fruit will be diverted to stock feed again in MY2013.

For MY2012 total domestic consumption is estimated at 77,850 MT for apples and pears. This is virtually unchanged from the previous forecast in April 2013 but up seven percent on MY2011 consumption. Plentiful supplies of reasonably priced fruit in the supermarkets stimulated consumption. In addition some fruit was diverted to stock food because of the drought in the North Island; which would have helped boost overall domestic consumption.

Processing

Total apple and pear volumes going to processing in MY2013 are forecast at 145,000 MT. This amounts to a one percent reduction from the MY2012 estimate. However the total could be lower if growers are able to manage the lower crop loadings this growing season to achieve higher export pack-out rates than in MY2012. The chances of this happening are better than the processing volume increasing.

Better export prices for Braeburn in MY2012 has meant fruit which may have been processed was exported instead which has resulted in the MY2012 total apple and pear processing being adjusted downward to an estimate of 147,000 MT which represents a 1.5 percent reduction from the previous forecast. The new estimate is still eight percent above the MY2011 year and is a result of the increased harvest in MY2012.

Trade

Apple Exports

The reduction in overall New Zealand apple production for MY2013 is likely to flow through to export volumes, which are currently forecast to be 305,000 MT, representing a 5 percent reduction from the previous year. There is a good chance if growers manage the lower crop loadings well they could increase the export pack-out rates above MY2012 and achieve an increase on this forecast. Such an increase would be at the expense of processing volumes.

Export results for the MY2012 year are turning out to be significantly better than previously forecast. Exports were expected to reach 306,000 MT, but are now estimated at 320,000 MT for the year. This is a five percent revision from previous forecasts, and implies that exports in MY2012 are now expected to be up by 13 percent compared to the previous year. This is a result of the significant production increase and better export pack-out rates than had been expected.

New Zealand Export Statistics for Fresh Apples						
Year To Date: January - September						
Partner Country	2011		2012		2013	
	Quantity MT	FOB Price \$NZ/TCE	Quantity MT	FOB Price \$NZ/TCE	Quantity MT	FOB Price \$NZ/TCE
Exports to the EU excl. UK	104,357	\$20.44	75,206	\$19.53	90,659	\$24.69
United Kingdom	46,171	\$17.56	44,024	\$19.58	43,923	\$22.77
United States	33,210	\$21.16	33,811	\$24.16	38,786	\$31.75
Thailand	14,169	\$25.82	20,563	\$26.17	25,815	\$30.30
United Arab Emirates	8,061	\$24.51	13,169	\$25.08	18,096	\$28.06
India	11,958	\$23.64	18,122	\$22.91	15,048	\$24.70
Hong Kong	16,129	\$28.08	13,901	\$29.01	11,226	\$31.74
China	272	\$27.11	1,513	\$30.67	9,856	\$39.69
Taiwan	18,152	\$25.14	12,217	\$25.52	8,858	\$25.72
Singapore	6,059	\$25.86	7,231	\$28.08	8,021	\$33.14
Canada	5,537	\$17.91	4,989	\$20.81	7,918	\$28.65
Malaysia	6,385	\$27.84	6,916	\$28.00	7,001	\$31.31
Russia	4,690	\$25.79	4,523	\$26.42	6,401	\$28.55
Indonesia	3,624	\$26.67	3,795	\$28.59	3,839	\$30.59
Vietnam	2,134	\$29.47	2,969	\$32.87	3,668	\$39.22
Japan	143	\$7.47	2,023	\$53.64	2,362	\$42.17
Rest of World	15,883	\$20.70	16,380	\$20.58	17,193	\$26.77
Total Exports	296,931	\$21.74	281,354	\$22.97	318,668	\$27.69

Source: GTA

New Zealand Export Statistics for Fresh Apples by Region

Year To Date: January - September	2011		2012		2013		
Region	Quantity (MT)	Quantity (MT)	% change	% share	Quantity (MT)	% change	% share
Asia	68,636	80,455	17.2%	28.6%	80,186	-0.3%	25.2%
China & Hong Kong	16,401	15,414	-6.0%	5.5%	21,082	36.8%	6.6%
Total EU excl UK	104,357	75,206	-27.9%	26.7%	90,659	20.5%	28.4%
Middle East	10,644	15,496	45.6%	5.5%	20,372	31.5%	6.4%
North America	38,747	38,800	0.1%	13.8%	46,704	20.4%	14.7%
Pacific Region	4,797	4,909	2.3%	1.7%	5,816	18.5%	1.8%
United Kingdom	46,171	44,024	-4.7%	15.6%	43,923	-0.2%	13.8%
All other countries	7,181	7,048	-1.9%	2.5%	9,928	40.9%	3.1%
World Wide Total	296,934	281,352	-5.2%	100.0 %	318,670	13.3%	100.0 %

Source: GTA

New Zealand Fresh Apple Export Statistics

Annual Calendar Year Series: 2002 - 2012										Compound rate of change 2004 to 2012
Quantity (metric tons)										
Partner Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Total EU excl UK	163,219	160,886	112,240	113,494	99,134	116,452	94,619	104,357	75,206	-9.2%
United Kingdom	78,453	66,061	59,181	63,073	43,526	50,286	36,297	46,171	44,024	-7.0%
United States	56,376	32,455	37,639	47,607	32,961	45,674	42,109	33,210	33,811	-6.2%
Thailand	1,082	840	2,219	3,181	7,476	9,023	12,941	14,850	21,940	45.7%
India	2,477	2,522	3,861	3,675	4,966	5,331	6,066	12,041	18,122	28.2%
Hong Kong	6,807	4,769	5,583	6,342	8,160	13,493	11,001	16,235	14,007	9.4%
United Arab Emirates	2,033	2,577	2,727	4,591	6,166	8,962	7,148	8,103	13,169	26.3%
Taiwan	19,279	25,762	15,204	18,283	20,599	16,450	15,634	18,152	12,217	-5.5%
Singapore	5,230	3,721	4,595	4,824	5,736	5,894	4,517	6,310	7,387	4.4%

Malaysia	6,034	3,625	4,514	5,473	6,873	6,957	3,506	6,530	7,169	2.2%
Rest of World	17,336	15,391	17,677	21,870	25,229	24,330	25,845	33,496	37,397	10.1%
Total for All Destinations	358,327	318,608	265,436	292,413	260,830	302,854	259,683	299,452	284,451	-2.8%

Source: GTA

The distribution of shipments in MY2012 have bucked the trend toward reductions in trade to Europe and increasing volumes to Asia and the Middle East. Reduced volumes of fruit in the European markets kept prices to strong profitable levels. These meant exporters in New Zealand were able to ship the big crop without over supplying any one market. Looking forward to the MY2013, campaign exporters are wary that the Chilean crop could well be substantially larger and the market dynamics in Europe may not be as beneficial for them as in MY2012.

Apple Imports

Looking ahead to MY2013 it is likely that imports will be reasonably stable at 1,100 MT. Just like the Northern Hemisphere apple growers, who have invested in better storage technology which can reduce the window of opportunity for exporters like New Zealand, the same technologies (controlled atmosphere, smartfresh™) are being employed in New Zealand. This is likely to reduce the window of opportunity for imports of apples.

Imports for MY2012 are now estimated to be 1,150 MT. Even though there have been plentiful supplies of domestic fruit, imports are up for the first three quarters of MY2012. Extrapolating from average import figures for the last six years, it appears likely that imports will be on the order of 1,150 MT to 1,200 MT.

New Zealand Import Statistics for Fresh Apples							
Annual Series: 2006 - 2012							
Partner Country	Quantity (metric tons)						
	2006	2007	2008	2009	2010	2011	2012
World	1046	1424	1645	1253	1151	984	1129
United States	1024	1424	1645	1108	1119	967	1124
Australia	1	0	0	0	0	0	5
Canada	20	0	0	0	0	0	0
China	0	0	0	0	11	0	0
India	1	0	0	0	0	0	0
New Zealand	0	0	0	145	21	17	0

Source: GTA

Pear Exports and Imports

Pear Exports for CY2013 have been running significantly ahead of previous expectations and should reach 4,700 MT by the end of the year. This would be 40 percent ahead of the April 2013 forecast and 58 percent higher on a year on year basis. It is likely that for CY2014 pear exports will follow the trend for apples and be reduced by five percent to a forecast 4,465 MT.

New Zealand Import Statistics for Fresh Pears							
Calendar Year To Date: January - September							
Partner Country	Quantity (MT)			% Share			% Change
	2011	2012	2013	2011	2012	2013	2013 to 2012
World	1510	1572	1558	100.0%	100.0%	100.0%	-0.89%
Australia	1148	1272	1197	76.0%	80.9%	76.8%	-5.90%
United States	159	199	181	10.5%	12.7%	11.6%	-9.05%
China	188	85	148	12.5%	5.4%	9.5%	74.12%
Netherlands	0	0	21	0.0%	0.0%	1.3%	
Korea South	14	16	12	0.9%	1.0%	0.8%	-25.00%

Source: GTA

Pear imports in CY2013 are now estimated at 3,500 MT based on year to date actual figures and an average expectation for the fourth quarter. It is likely that imports for CY2014 will be the same at 3,500 MT.

New Zealand Import Statistics For Fresh Pears						
Annual Series: 2007 - 2012						
Partner Country	Quantity (MT)					
	2007	2008	2009	2010	2011	2012
World	2919	3739	3158	3710	3081	3729
United States	1192	1132	1199	1786	1263	1710
Australia	823	1753	1468	1352	1361	1551
China	742	705	292	452	365	403
Korea South	161	150	177	117	91	65
New Zealand	0	0	0	4	0	0
South Africa	0	0	22	0	0	0

Source: GTA

Market Access, SPS Issues, and Individual Country Analysis

Pipfruit Sector Market Access Framework

The framework is a cooperation effort between PNZI and MPI to get a better degree of engagement between the two parties so that market access work is prioritized and carried out in response to planned strategic industry goals. It is hoped the framework will help identify market access opportunities and issues for resolution.

Current activities include a certification review, and market access and assurance program discussions for Taiwan, China, Japan, and Australia.

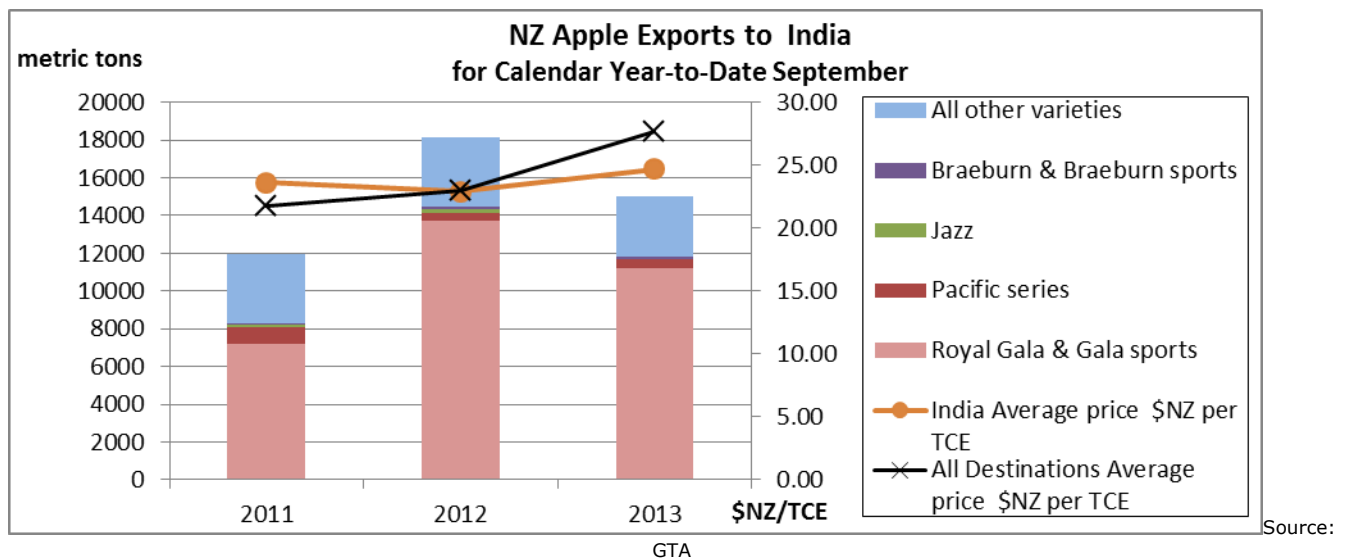
Currently PNZI is putting about 75 percent of its effort and funding ultimately into market access. The framework will be a step along the way to much better alignment between the apple industry, the Ministry of Foreign Affairs and Trade; Trade and Enterprise NZ; and MPI. It should help to leverage the private sector skill base with the Government market access expertise to achieve results that the sector can profit by.

India

New Zealand production is counter-seasonal to India's. Apple exports showed a dramatic increase in CY2011, which was followed by a further significant increase in volume in CY2012 despite the high tariff barrier (50 percent). However large quantities of lower quality, cheap Iranian apples in the market earlier in CY2013 held up resumption of the New Zealand trade. This delay in getting the trade started has affected both volume and price. In addition the rupee had devalued significantly against the NZ Dollar which meant exporters were would not ship larger quantities when the price in rupees wasn't adjusted upwards.

The potential for the un-enforced regulation for methyl bromide treatment to be enforced over all apple imports still lurks in the back ground. It is a real threat which if it happened would halt exports from NZ. So far representations made by the Ministry for Primary Industries (MPI) have not met with success in getting this issue resolved.

A Free Trade Agreement with India is being pursued by NZ but still looks to be long way from being concluded. PNZI and the apple industry are working with Indian apple producers to help them increase productivity and incomes.



Taiwan

A smaller window of opportunity for successful marketing into Taiwan has caused the volume to be reduced by 28 percent. Reportedly large quantities of U.S. and Chilean apples were shipped into Taiwan late in CY2012 and early CY2013 which overhung into the usual selling period for NZ fruit. Owing to this surplus of fruit in the market FOB pricing for NZ apples increased by less than one percent in Taiwan whereas world-wide, FOB pricing for NZ apples was up on average 21 percent. This became a deterrent to shipping any larger volumes to Taiwan.

In contrast to most other Asian countries which prefer the Royal Gala and Pacific Series varieties, 92 percent of the volume going into Taiwan from New Zealand is Fuji and only six percent is Royal Gala.

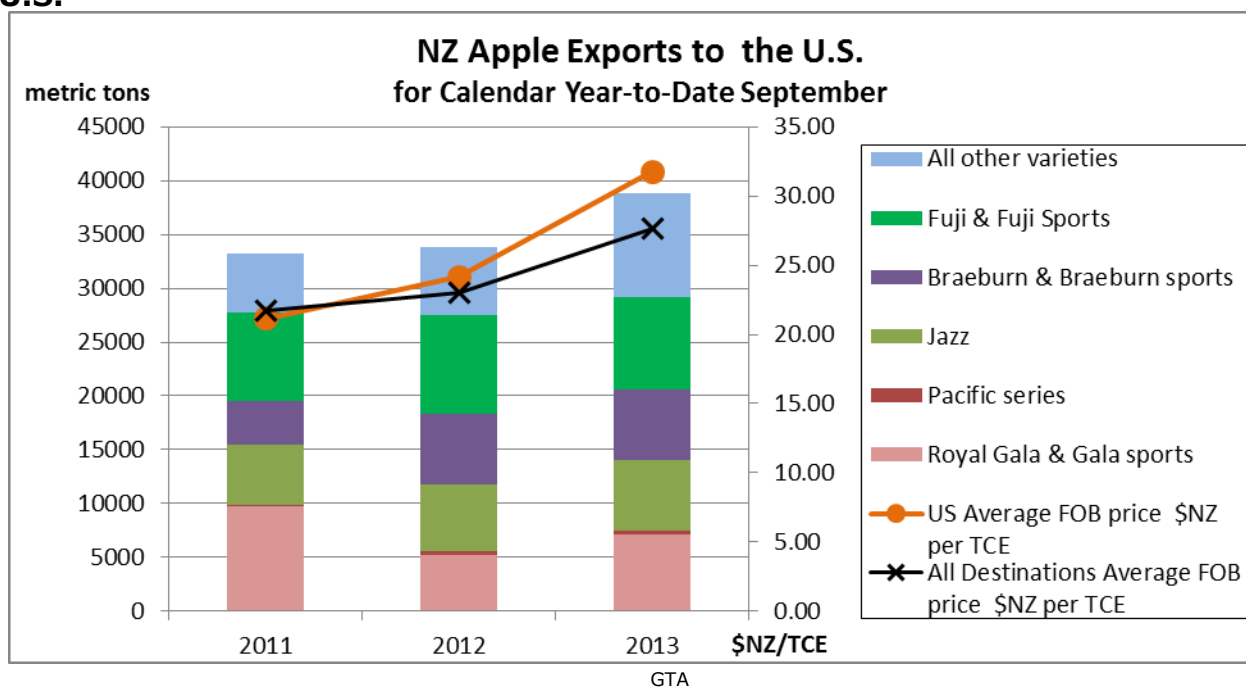
Taiwan is a case study in how well colored, high dry matter, and good tasting fruit will always be in demand at relatively good prices. Over the past few years growers and exporters have chased returns for very early harvested Fuji. Too often this fruit has been immature and poorly colored which has put off consumers causing the importers to move away from New Zealand standard Fuji.

This year initial prices offered for Fuji were low and growers held fruit on the trees longer before harvest. The result was the well ripened and better colored fruit being in good demand in Taiwan.

Exports from NZ have to comply with MPI's "codling moth sensitive market program" which does create extra pressure on growers in order to comply but also achieve low chemical residues for grades of fruit within a block which may be better exported to Europe. In lieu of a fumigation condition NZ operates under a three strikes condition, whereby if codling moth is detected in three consignments the trade is shut down. MPI considers this good access as most countries are on a single strike condition.

At the moment NZ apples face a 20 percent tariff on entry into Taiwan. However this is set to end when the economic cooperation agreement, basically a free trade agreement comes into force in 2014

U.S.



It was thought the quantity shipped to the US for MY2012 would be no greater than MY2011 however exporters detected shortages in the market later in the shipping season and with prices up by 31% took advantage of this and have increased shipments by 15 percent to 38,745 MT for the year-to-date. Most of the increased volume has come from new varieties such as Envy and Honeycrisp or the club variety Pink Lady.

New Zealand still has an issue with the more stringent access conditions for California because of Apple Leaf Curling Midge however MPI accepts there are technical reasons which support both sides of the issue.

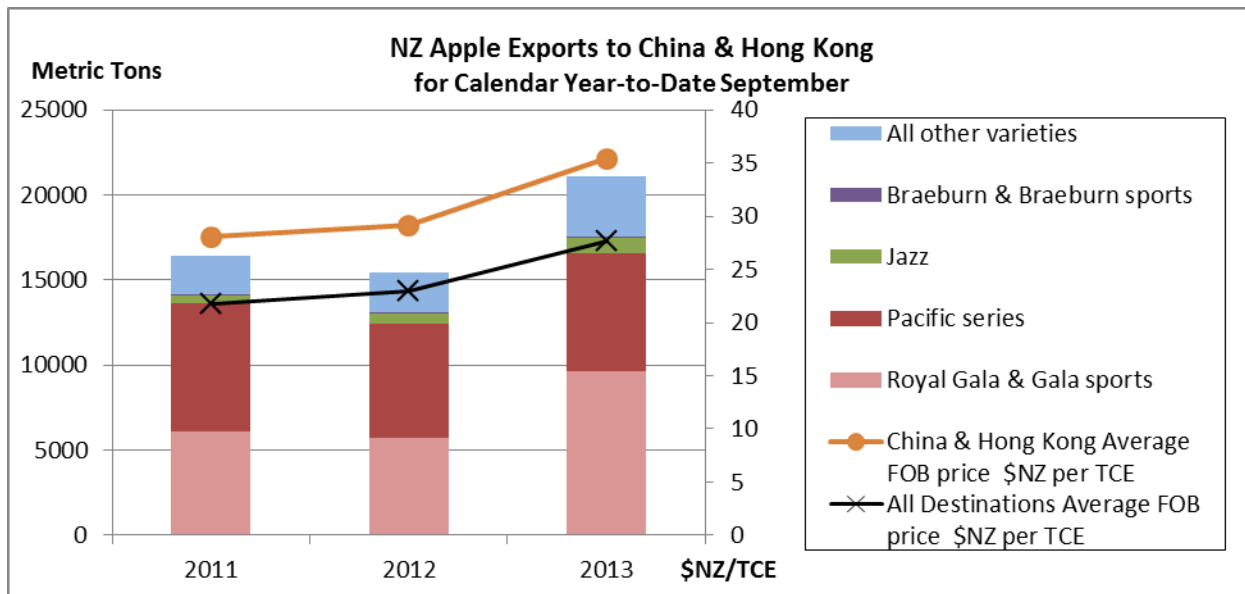
China & Hong Kong

A post-harvest rot caused by the fungus "Neofabraea Alba" was detected on three consignments of apples by Chinese quarantine officials late in the shipping season (August). N.Alba or "Summer Rot" was not on the official quarantine pest list, but has since been added to the list. Chinese officials requested a ban on any exports originating from sites where the blemished fruit came from. However, the industry voluntarily elected to suspend further shipments to China. Only five

containers were enroute to China at the time. Additionally the grey trade via Hong Kong is now closed.

Despite this New Zealand has had one of the best years ever for exports to China and Hong Kong. Volumes were up 37 percent at 21,084 MT and prices are up by 22 percent.

MPI and the apple industry are working with Chinese quarantine officials to provide any information they can to help these officials assess the risk of the N.Alba pathogen being brought into China. Although fruit with unwanted contaminants is detected from time to time, this normally doesn't signify a systemic quality assurance problem or a food safety issue. The industry would like the issue to be cleared up well in advance of next year's exporting season so trade can continue and prosper.



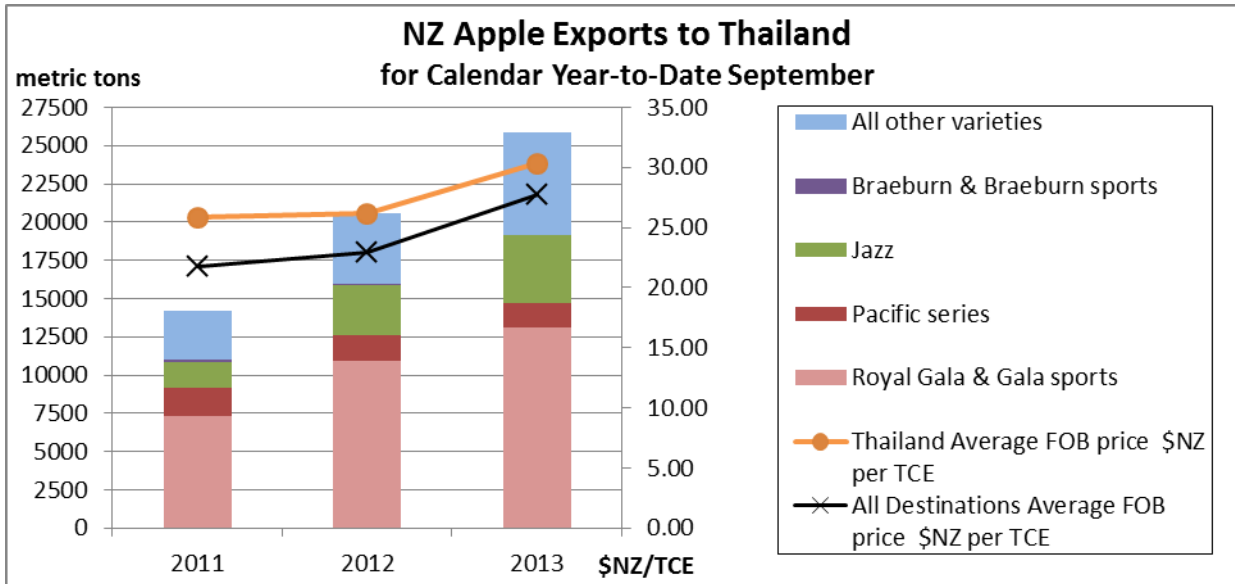
Source:

GTA

In order to export to China growers and pack-houses must comply with the "codling moth sensitive markets program". This program imposes tough standards for codling moth, apple leaf curling midge, and blackspot which does make compliance difficult.

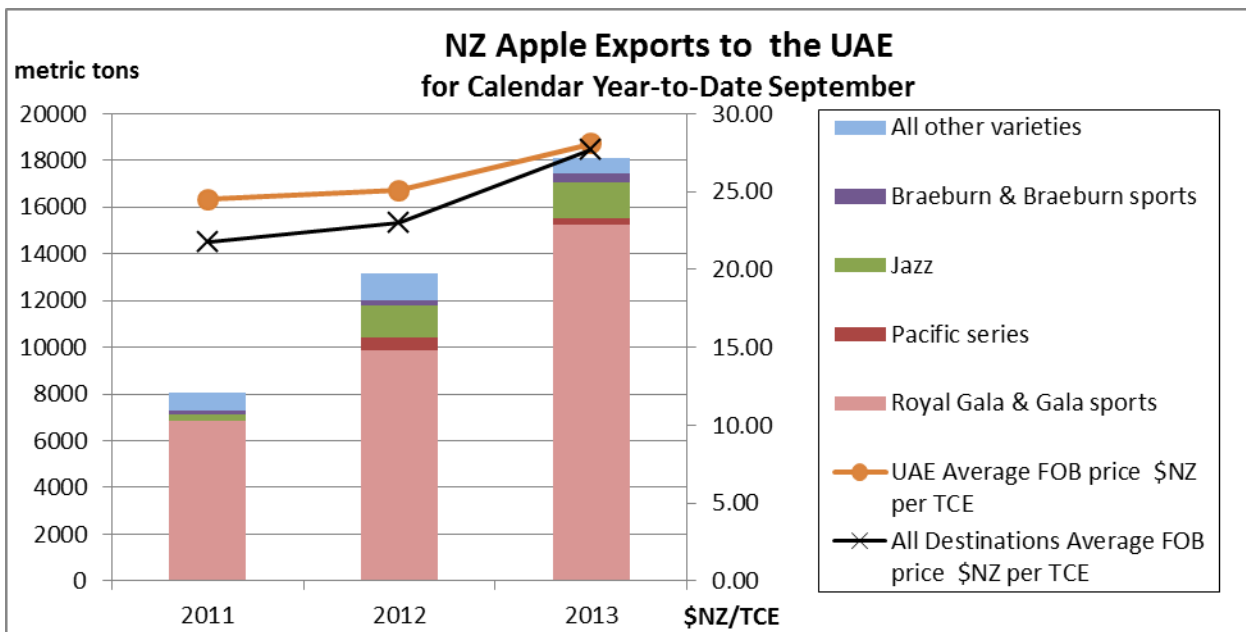
Thailand

Apples exported to Thailand must conform to MPI's standard protocol. Thai authorities have issued a new set of regulations which bring their phyto-sanitary requirements more in line with WTO principles and are based on risk management. At this stage New Zealand is still operating on the old conditions of access but Thai officials are due to visit NZ early in 2014 and it is expected there will be a changeover to the new conditions of access during 2014. It is not expected that compliance will entail any significant changes to actual orchard or pack-house operations.



Source: GTA

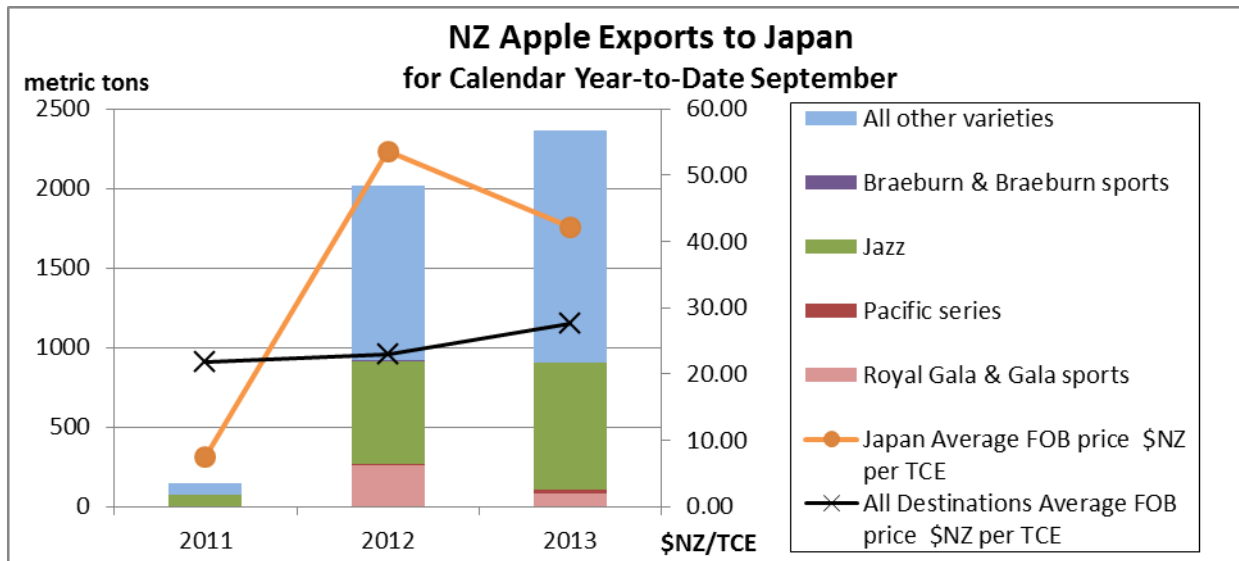
United Arab Emirates



Source: GTA

Japan

Export volumes to Japan for the year-to-date are up 17 percent, to 2,362 MT, but prices have come off the peak established in CY2012 of \$NZ53.64/TCE and are now averaging \$NZ42.17/TCE in CY2013. The more complex export protocol which involves methyl bromide and cold treatment in New Zealand plus several extra verification steps adds about \$NZ6.00/TCE to the costs. However as shown in the chart below, the returns achieved more than compensate for the extra costs.



Source: GTA

Similar to Taiwan, Fuji and Fuji sports are the main varieties shipped to Japan and comprise 44 percent of the total volume.

Australia

For the year-to-date no apples have crossed the Tasman Sea to Australia. The industry still has an issue with the phyto-sanitary protocols and is saying they are basically unworkable. To an extent this view is not shared by MPI. Work on market access is on the current agenda under the new market access framework.

Russia

A communications mishap kept 104 forty foot containers of NZ apples held up at the port in Vladivostok for eleven days in March. A miscommunication related to official MPI documentation took place between Russia and New Zealand and created confusion among Russian authorities which led to the delay.

Industry News

Pipfruit New Zealand Inc. Vision & Strategy

The PNZI vision is to create a billion dollar a year industry by 2022. In 2013, sector earnings from all sources including export, domestic sales and juice will likely reach approximately \$NZ625 million. Achieving the goal will require increasing earnings by over 60 percent. This is likely to be achieved by a combination of increased plantings, improved productivity at all stages in the supply chain, and returning a higher proportion of the value chain back to New Zealand.

PNZI has developed a strategic plan as to how it can best provide facilitation for the industry to achieve the growth needed to deliver on the vision, which was presented at the PNZI annual conference in August, 2013.

Part of the process of developing the strategic plan has been to clarify the role of PNZI and to explicitly define the core competencies it needs. The plan has identified eight strategic priorities. At the top of the list is increasing the effectiveness in improving terms of market access. Number

two on the list is an increased focus on Asia, both in terms of market access and in better understanding customer requirements.