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Report Name: Fresh Deciduous Fruit Semi-annual

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Post: Wellington

Report Category: Fresh Deciduous Fruit

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Report Highlights:

New Zealand apple production in 2022/23 has been revised down sharply as a result of the damage caused by Cyclone Gabrielle, which hit the nation's largest apple growing and exporting region – Hawke's Bay/Gisborne – in February. This cyclone hit just as the harvest was starting, and thousands of hectares were either completely washed away by floods or covered in silt. Although efforts and initiatives are already underway in the region to try and recover trees and infrastructure, the impacts to the industry are anticipated to have multiyear effects. Both apple production and exports in 2022/23 are expected to fall to the lowest levels since 2009/2010.

Executive Summary:

New Zealand apple production in the 2022/23 marketing year (calendar year 2023) has been revised down sharply as a result of the damage caused by Cyclone Gabrielle, which hit the nation's largest apple growing and exporting region – Hawke's Bay/Gisborne – in February. This cyclone hit just as the harvest was starting, and thousands of hectares were either completely washed away by floods or covered in silt. Although efforts and initiatives are already underway in the region to try and recover trees and infrastructure, the impacts to the industry are already anticipated to have multiyear effects. FAS/Wellington's forecast for 2022/23 apple production is revised down to 453,000 metric tons (MT), which if realized would be the lowest level since 2009/2010.

Before the cyclone hit, there had been optimism in the sector due to improved labor availability, especially after two challenging seasons where the COVID-19 pandemic severely restricted labor resources for the industry. Due to the labor shortages, some trees remained unpicked during the past two seasons, with significant impacts to production.

Although the key Hawke's Bay/Gisborne region was dramatically impacted by the cyclone, in other growing regions such as Nelson in the South Island, a near-optimal 2023 year has been experienced. As mentioned, this includes the returning of overseas labor post COVID-19 restrictions, ideal weather leading into harvest, as well as investments implemented over the last few seasons to automate a large number of packhouse roles.

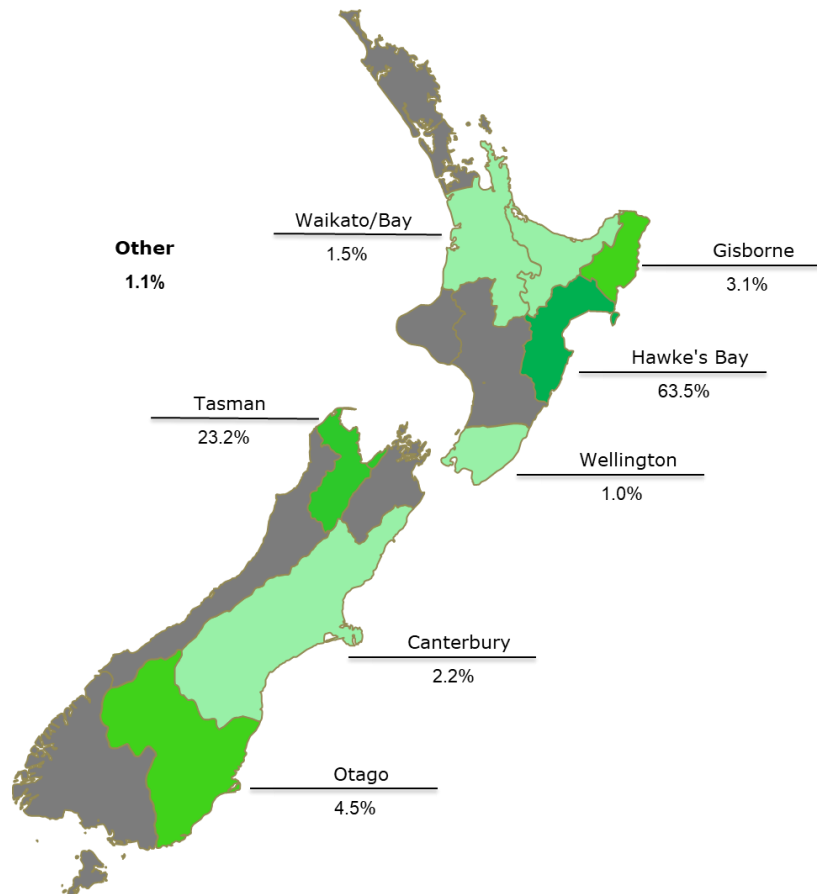
As a result of the wider impacts to the Hawke's Bay region's orchards, FAS/Wellington is forecasting a significant decrease in New Zealand apple exports to global markets, with exports forecast at 270,000 MT, almost 21 percent less than 2021/2022 exports.

Note: The Marketing Year (MY) is the same as the calendar year (CY), January 1 to December 31. For the purpose of this report always refer to MY unless otherwise stated. Growing Year (GY) will refer to July 1 to the following June 30. For foreign exchange rate between New Zealand Dollar and United States Dollar, the rate used in this report is NZ\$ 1.00 = US\$ 0.62.

Background

New Zealand is one of the largest global apple exporting countries, with climate and soils that make it well suited for growing apples and pears. Key growing regions such as Hawke's Bay, Nelson, and Central Otago experience necessary conditions for growing apples, such as sufficient winter chilling, warm springs, long sunshine hours in summer, and dry growing areas. These areas also have reliable water resources to irrigate orchards, and as a result almost all commercial orchards rely on irrigation. New Zealand also has well established ports close to its apple and pear regions. The harvest season starts in January and finishes in June, with peak harvest for apples from March to May. Displayed in Figure 1 is the the distribution of the country's apple and pear growing areas, where the majority of production is located in the Hawke's Bay (nearly two-thirds of trees).

Figure 1: New Zealand Apple and Pear Growing Regions



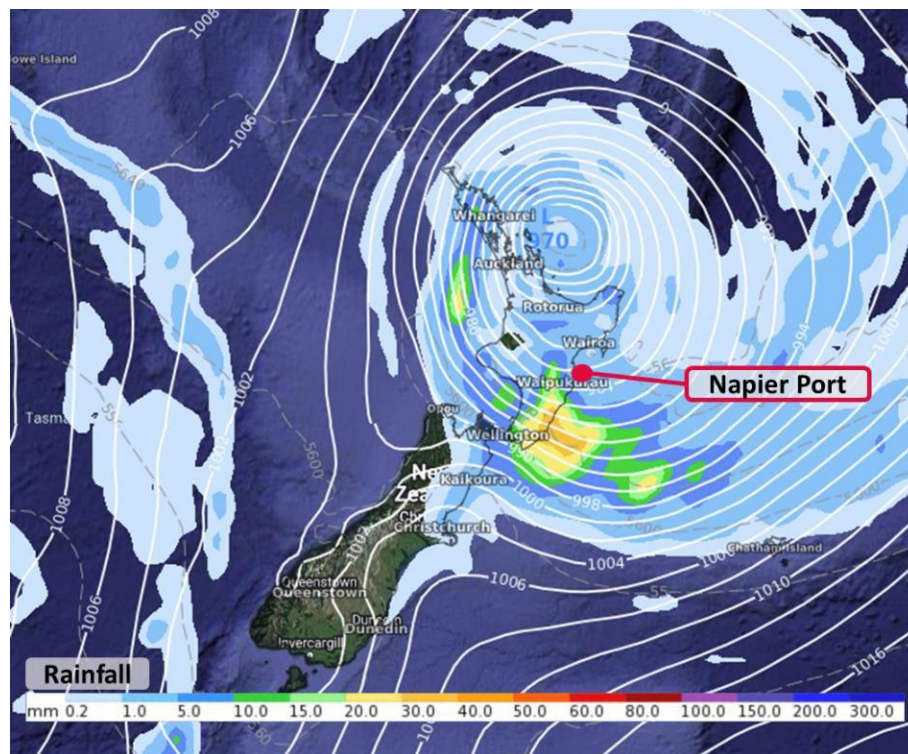
Source: Statistics NZ

Apples

Planted and Harvested Areas

Apple planted area in 2022/23 is expected to have remained steady, however following the impacts of Cyclone Gabrielle in early February (Figure 2), the forecast for New Zealand harvested area is sharply reduced from 10,300 hectares last year to 8,900 hectares this year. Already this has been regarded as the deadliest weather event to hit the country since 1968, and the Hawke's Bay and Gisborne were the hardest hit regions. Intense winds and rain caused huge land slides and flooding, which for the apple industry in particular resulted in wide-spread destruction of orchards and infrastructure, in addition to immense buildup of silt in vast areas (see Image 1).

Figure 2: Cyclone Gabrielle Rain Map Tuesday Feb 14th, 2023, at 10:00am



Source: Weather Watch NZ

Image 1: Hawke's Bay Apple Orchard Damaged by Cyclone Gabrielle



Source: New Zealand Herald

Apples are predicted by the industry to be the hardest hit export crop in 2023. As mentioned, Hawke's Bay and Gisborne growers account for about two-thirds of New Zealand production, and 58 percent of last year's apple exports departed from Napier Port. In the weeks following the storm, damage to the region's deciduous fruit trees were estimated in reports at close to 4,000 hectares being impacted (around half of total area in region). Of these areas affected, the peak apple industry body classified them into three different categories, which rank the level of damage (Table 1). For categories one and two the damage has been so severe there is no production anticipated from these areas due to either complete damage or silting that will inevitably cause tree death. Category three areas are still able to be harvested, with reduced production or quality issues as a result of the storm impacts.

According to these industry estimates, around a quarter of the regions trees would have been destroyed, with another nearly quarter having yields severely impacted this year. There were, however, large areas of orchards and infrastructure that remained undamaged following the storm, and in these areas, harvest has continued as planned.

Table 1: Orchards in Hawke's Bay Affected by Cyclone Gabrielle

Hawke's Bay Damage Assessment	Description	Estimated Area (Ha)
Category One	Completely destroyed, the trees and infrastructure were gone, and will require complete redevelopment.	840
Category Two	Completely submerged and have deep silt through them which will result in significant tree death.	1,260
Category Three	Orchards will have a reduced crop percentage, they have had water through them, the trees are waterlogged but some of the fruit is salvageable.	1,800

Source: New Zealand Apples and Pears (Chairperson Richard Punter to Radio New Zealand)

For growers in areas significantly affected by Cyclone Gabrielle, the New Zealand government has made available a combined total of NZ\$74 million (US\$46 million). This funding was announced to be made available for urgent repair work, including fencing and clearing silt to save trees and vines.

The cost of the cyclone damage has been estimated at over NZ\$10 billion (US\$6.2 billion), announced by the Government's Finance Minister – Grant Robertson. Already over 40,000 insurance claims have been made for damages related to the storm, worth a collective NZ\$890 million (US\$552 million) so far according to the Insurance Council of New Zealand (ICNZ). Due to the massive destruction of trees and other infrastructure, there will no doubt be a large impact on apple production for many years.