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### Thoughts on Agriculture in New Zealand

*Note: Dr. Faber recently returned from a sabbatical spent studying fruit production in New Zealand.*

New Zealand. This is a little green island at the end of the world. There are 4 million people and 4 thousand acres of avocados, and at 10,000 pounds to the acre that would mean they would only need to eat ten pounds apiece to satisfy the total production. But they don't eat anywhere close to that. And yields are greater than 10,000 pounds and much of the acreage is new and it is expanding. In fact there are so many avocados in season (Reed, Fuerte, Pinkerton, but 85% Hass) that road side stands sell them four for a dollar (two for a New Zealand dollar). Avocados, as with all other ag products, need to be exported in order to keep the country's economy going.

This is a small country where there are too many people to eat the kiwi fruit and apples and avocados that are grown, but not enough people to justify a car fabricating company or even a shoe manufacturer of any consequence. They live by trading primary products like timber and fish for cars and TVs. Traditionally they had one of the highest per capita incomes in the world, but then people stopped buying wool products and they got kicked out of the embrace of England and its protected status of selling lamb and butter to the Brits. They've got to survive on the world market and being at the end of the world, it's tough selling tomatoes and chermioyas when the shipping costs are so high and those commodities don't travel well by boat. As marketers, they have survived by identifying small niches in the northern hemisphere and then filling it up before the rest of the world knew it was there.

Chile is a major competitor, since it is in the southern hemisphere, as well. Chile has lower labor costs and better labor availability. But Chile has somewhat higher production costs because of irrigation requirements. Chile, though, has much more land available to put into subtropical production than New Zealand has. The strength that New Zealand has over Chile, as well as many other fruit producing countries is that it has a reputation for being able to monitor fruit quality from field through to the consumer, and being able to deliver a high quality product.

By a process that was initiated and expanded on from the 1920's in the apple industry, producers and packers monitor fruit from a given field and harvest date and can pinpoint where in the chain of events to the consumer that a problem can start. A box of fruit arriving at a grocery store has all the information necessary to track that fruit back through to what temperature on what ship on what date on what pack line on what harvest date from what farmer's field that affected that fruit. At the packinghouse, a library sample of fruit is kept so that if there are problems with the fruit at the consumer

end, it can be determined if it was a problem in the shipping or in the field.

With this information, the industry combines forces to find solutions to a problem. An example of this in the avocado industry has been the problems caused by fruit rots on delivery in the US. The industry banded together and was able to focus on certain production practices that exacerbated the problem and encouraged growers and packers to follow guidelines that improved deliveries the following year. The Kiwi ag industry feels that all segments in the industry need to cooperate in order to produce a product that is perceived by the rest of the world as a quality product, worthy of being imported in spite of other foreign producers.

The Kiwi areas where avocados and kiwi fruit grow well are also those areas that people like to live in, too. Avocados and kiwi fruit groves compete for agricultural land right along with people, and because of the currently high returns on kiwi fruit, avocados are somewhat limited in planting area. Back of the envelope economic analysis of several avocado growers has production costs of about \$2000 to \$3000 per acre. The numbers are somewhat obscure because avocados are often tucked away into areas that are a little too steep for kiwi fruit or inconvenient for kiwi fruit production. Also, because of the extensive use of windbreaks, it is often hard to determine how much acreage is actually in fruit production. As a result of odd parcel size and the question of what area is actually producing, it's hard to get a handle on actual production costs. On average, though, with the combined export and local fruit sales, growers can expect to gross about \$ 10,000 per acre with a net return of about \$8,000. These sorts of returns make avocado growers very competitive for land in the Bay of Plenty area of New Zealand where current land prices can run as high as anything being sold in Ventura County.

Climatically they are limited, too. It is cold there. In the coastal areas of the North Island it never gets as hot as Ventura in the summer time, but usually doesn't get as cold as it does in the winter either. It's not so good for growing sweet apricots or peaches or Valencias, but it's a perfect climate for growing avocado fruit. It's always humid, so there's no problem of the flowers drying out. It rains every month of the year, so there is just pure water on the trees and no salt. The soils are these deep rich volcanics that have an organic surface horizon that can be 4 feet thick. You can drive on it in the rain and there are no tread marks. The trees are groaning with fruit, because root rot, if present, is only at sublethal levels. This ideal climate exists along the coasts of the North Island. Inland it gets a little too cold for subtropical fruit production, and that is where the sheep and dairy industries dominate.

The closest neighbors are the Australians which have their own industry and since they produce across a pretty wide difference in latitudes, can supply most of their own needs. Currently about 50% of the export fruit is going to Australia where it fills a niche in January when there is a lull in Aussie production. Australia cannot export to the US because of fruit fly restrictions. There is expanding Aussie acreage that will compete with imported Kiwi fruit and there is a need to find a place for the increasing production in New Zealand. So what in the heck do they do with all this fruit that they can't eat sell it to the Californians. Another 45% of the export fruit is going to the US. Only about 2-3% is going to Asian markets. The Asian markets are there, but often Mexican fruit is already supplying the need, and to increase the demand in Taiwan and Korea It would

take a lot of educating in how to use the fruit. So the current export focus is on the US market where the high returns more than offset the high cost of shipping that can take up to six weeks to arrive in Long Beach.

So here are the Kiwis with a lot of avocado fruit and more coming on. The country is very conscious of the European consumer and the desire for "unsprayed" fruit. The kiwi fruit industry has gone to a standard called "Kiwi Green" which is an IPM-based production practice followed by most kiwi fruit growers. Avocado growers want to follow the same model so that their fruit is perceived as having a similar quality as kiwi fruit. This is a place far away from rust belt industry and nuclear energy and all the current problems that many northern hemisphere countries have. New Zealand avocado growers want to capitalize on the very problems that have isolated them. They are far away in distance, but far away from many of the problems of the Western world as well. They have a high quality product, and even though they will never produce 200,000 acres of fruit like Mexico does, they will find a market for their fruit where and when they can.