

New Zealand Avocado Industry Update

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The New Zealand industry has had a significant year with many challenges. The industry saw the first significant growth in volume in several years with over a 100% increase on any of the previous 5 years. The industry achieved much but the growth did put many commercial and industry systems under pressure. This production level was predicted around 5 years ago but the intervening years have not seen the consistent growth expected. This has been followed by a very poor set in the major growing region for next season and so many growers do not have much or any crop for next year. The 2006/07 crop is likely to be around half of the season just completed.

The New Zealand industry is young and still growing rapidly, 40% of the cropping area is less than 5 years old. The potential is in the ground for much more to come.

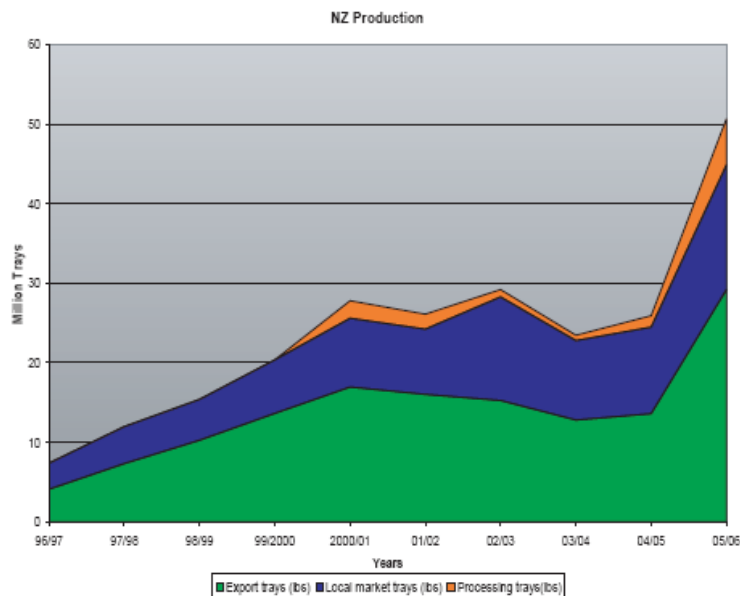


Figure 1. Adapted from NZ AGA Annual Report 2006.

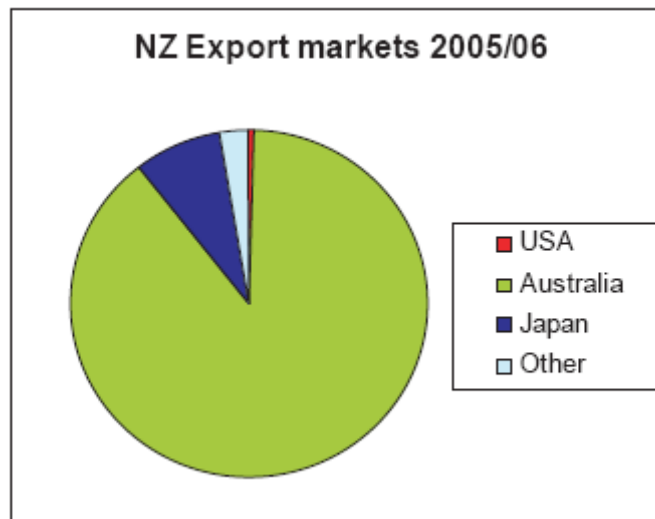


Figure 2. Source NZ AGA Annual Report 2006.

The industry participants have been planning for this level of production for some time and much of the ground work for profitably selling the crop had been done over the proceeding years. New Zealand's large crop also fortunately coincided with a low crop in the main Australian growing regions which supply around the New Zealand production window. The majority of the crop was exported to Australia with significant volume also sent to Japan with a very small amount sent to the USA.

Export has been well established as the core business for the NZ avocado producer, however domestic market growth has also been significant, 34% higher consumption than last year. Domestic growth has been largely volume driven and the impact on grower pricing over the last season made many sizes and grades unattractive and large volumes of small and second grade fruit was diverted to food grade oil production.

Grower returns from export fruit are strongly influenced by exchange rate. Four years ago 1 NZ\$ was worth only \$0.40 US cents, at the end of last year reached as high as \$0.72 US cents. This means a 25lb lug selling for US\$ 30.00 potentially was gross around \$NZ41.00 as against NZ\$ 75.00 four years ago! Many of the intervening costs remain the same so the net effect on grower return is actually larger. The NZ currency has been strong against the Australian dollar as well but not as dramatically as the US\$.

Grower yields were higher, but orchard gate values lower and overall orchard income is lower.

The calculation of Farm Gate Return is based industry gathered data for income, national average yield, national pack out split and national fruit size distribution. The elite property represents the stated industry goal of 15 tons per hectare average for the industry. There are a very small number of growers who are achieving yields above 25 tons per hectare. (Source NZ AGA Annual Report 2006)

National and Average Orchard Gate Returns

Year	National Orchard Gate Return	Average Property Orchard Gate Return/ ha	Elite (15 tonnes/ha) Orchard Gate Return/ ha
1999/00	\$ 22.101m	\$ 17,709	\$ 36,996
2000/01	\$ 25.688m	\$ 18,052	\$ 30,563
2001/02	\$ 23.306m	\$ 14,176	\$ 29,371
2002/03	\$ 25.668m	\$ 13,581	\$ 29,060
2003/04	\$ 29.383m	\$ 14,176	\$ 42,530
2004/05	\$ 26.830m	\$ 12,641	\$ 39,754
2005/06	\$ 31.313m	\$ 10,786	\$ 21,384

It is wrong to take from all of this that the New Zealand industry has had a bad year. 100% growth was picked packed, shipped and sold, strong domestic consumption and extraordinary growth in the volume of fruit sold to retail in Australia bode well for the future. The ground work has been done, growth has been achieved and there have been few "train wrecks" which could have completely crashed the markets. Good information flows and planning have helped achieve that but it has shown even more planning and better information will be required for the growth yet to come. The New Zealand avocado industry has committed itself to a growth path, the last season has shown both some of the potential and the challenges ahead.

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