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Kiwifruit dumped to prop up price

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Kiwifruit growers, hit hard by a global slump in demand, are destroying a million trays of their fruit.

Details of the dumping are outlined in a letter from the industry's export marketer, Zespri, to 3000 New Zealand growers late last month allocating them their quota to be destroyed.

The dumping has to be done over the next two months, and more looks likely unless the recession eases next year, say the chief executives of listed kiwifruit companies Satara, Wes Anderson Smith and Seeka's Michael Franks.

Zespri chief executive Lain Jager said in the letter that the alternative would be a reduction in value of about 20c a tray. There was too much stock in the market eventually needing to be written off as fruit loss. The average return last season was $3.63 a tray.

Gold fruit is not affected.

Even as it stands, the domestic market could become saturated as plans by Zespri will leave an extra 500,000 trays still needing to be sold. This could cause a collapse in the price a boon to customers looking for cheap and healthy fruit, Mr Anderson Smith said.

Further destruction of green fruit could not be ruled out in the present economic climate, particularly as volumes were forecast to rise by 5 per cent above this season's output next year, he said.

The green fruit global export category grew by more than 10 million trays in the 2007 and 2008 season, Mr Jager told growers in outlining why Zespri needed their support.

He said 2.5 million trays needed to be managed out of the country's inventory. Zespri told growers to destroy one million trays of class two fruit, at present exported to Australia directly by suppliers as Australia is outside Zespri's control under the closer economic relations agreement.

The dumping plan came after negotiations with some of the major kiwifruit players and an agreement to a 30c per tray compensation payment out of grower return funds.

Zespri's plan will keep as much of the premier class one fruit in the market as possible at the expense of class two.

Growers would set aside 1.5 million trays of large green class one kiwifruit for suppliers to export to Australia, Zespri said.

As a result, exports to Australia about 4 million trays a year will have the number one premium grade in the mix for the first time.

Mr Smith said it was still too early to tell whether growers would receive a higher price from Australia for the top grade fruit as it depended on market demand.

Direct exports to Australia are regulated by Australia's Horticulture Export Authority.

After the dumping to be done in May and June, there will still be an excess 500,000 trays of green fruit for absorption into the New Zealand domestic market.

Mr Smith said this did raise the possibility of a glut and price collapse but would be good news for consumers because domestic green kiwifruit supply was largely class three and the new excess stock would be premier grade.

It is also likely some growers will destroy some of their grade 3 fruit and replace it with grade 2 for domestic sales to try to keep their margins up in tough times.

- BusinessDay

Industry Body Backs Crop Management

The kiwifruit Industry Advisory Council has approved the recommendation to crop-manage a small proportion of the green kiwifruit crop this season for sizes 18 to 27. The plan will remove three million trays from inventory (around 3% of forecast green volume), with the allocation ideally focused on lower dry matter and poorer storing fruit. Sizes other than 18 to 27 will still capture full market value. The reason for this measure is to deal with larger fruit sizes that are surplus to market demand, helping maximise value to growers while ensuring that only premium-quality fruit reaches consumers. One key factor is that the kiwifruit sector has seen a strong increase in volume this year, driven by record yields per hectare. Another factor is the relative lateness of the season, as weather conditions resulted in later maturity and later harvest. Zespri expects to export and market 84 million trays of green kiwifruit this season, a record volume that is up from last season's record 80 million trays. CEO Lain Jager comments: "We have crop managed in three out of the last eight seasons because supply and demand do not always match perfectly. Oversupplying markets results in poorer-quality fruit out late that is not in keeping with our quality promise to our customers and consumers." The move means Zespri buying but not exporting that proportion of the crop, which means the industry will not incur costs for packaging, cool storage and logistics. This is the optimal way of preserving value and return to growers by managing this proportion of surplus fruit. (AgBrief Staff Report)