The opportunity for subtropical crops in Northland, New Zealand

Northland Inc. is exploring the opportunity to grow perennial subtropical crops across the region as farmers face pressure to move beyond traditional land uses. This information sheet shares the latest economic feasibility results for **bananas**, **pineapples**, and **moringa.**

Read the full report on the Northland Inc. website.

Crop assessment

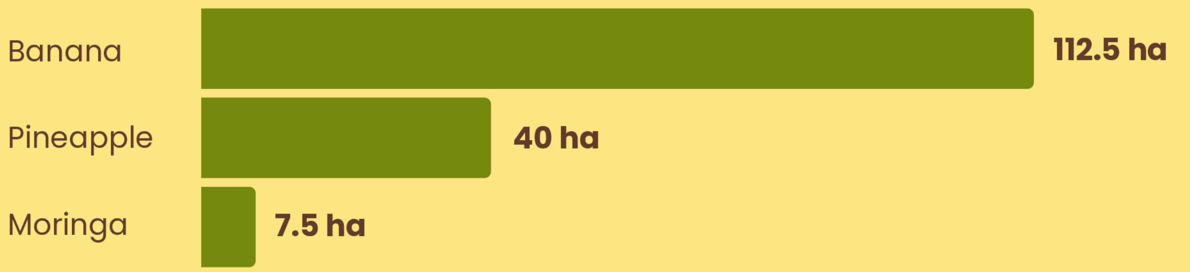
The key annual economic insights for each crop by **hectare** are presented below.

	Banana	Pineapple	Moringa
Establishment costs	$58K to $158K	$105K to $188K	$120K to $240K
Commercial yield (midpoint)	10.70t	26.80t	10t
Revenue (midpoint)	$40.8K	$52.2K	$61.3K
Gross profit (midpoint)	-$18.4K	$10.7K	$12.5K
Req. gross profit	$12.5K	$25.1K	$22.1K
Most feasible product	Fresh fruit	Fresh fruit	Fresh leaves

Although none of the crops meet the required gross profit for a reasonable return at the midpoint, **all three subtropical crops are feasible at a small scale** because their required gross profit sits within the modelled profitability ranges.

Scale of the opportunity

There is an opportunity for around **160 hectares** of these subtropical crops to be planted in suitable microclimates across Northland, generating **$12 million in total farmgate revenue** or $3.2 million in total gross profit.



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Why a small-scale, niche opportunity makes sense

- Growing these subtropical crops is labour-intensive. The relatively high cost of labour domestically is a barrier to scaling production.
- A price premium is therefore required to adequately cover the high costs of production, and ensure growers and processors can be profitable.
- A small consumer segment will be willing to pay the required price premium, reflecting the value they place on locally grown produce.
- Building market share means lowering the market price to reach more price-sensitive consumers, diminishing profit margins for growers and processors.
- Without a clear comparative advantage, a domestic subtropical industry will face high competition from low-cost imports.

Considerations for establishing a small-scale industry

- Value-added processing can boost returns, but profit depends on matching the size of the processing operation and the product you make with the costs involved and what customers are willing to pay.
- The proportion of Northland consumers willing to pay the required market premium may be insufficient to build a meaningful regional industry. Engaging the same market segment in neighbouring regions will help.
- It can take several years for new crop systems to mature and consistently achieve target yields and quality. At least initially, growers should anticipate a staged productivity as regional capability and capacity builds.
- The success of these crops depends on managing risks like yield, costs, prices, and regulations. Infrastructure like windbreaks or tunnels can reduce these risks, but you'll need higher profits to pay for them. Make sure that the investment lifts profits more than it costs.
- At a regional level, uncoordinated farm-level decisions can create industry-wide issues. Regional stewardship and support can align growth with market demand (i.e. avoid oversupply), manage labour pressures, enable shared processing facilities and mitigate environmental risks from more intensive land-use.