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# Privatization and Competitive Challenges to the New Zealand Apple and Pear Board and the Export Implications

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## Introduction

New Zealand exports its apples and pears via the New Zealand Apple and Pear Board, a single-desk structure arrangement. The government involvement in establishing the Board was a result of a request for assistance from the growers in the mid-1940s. The New Zealand Fruitgrowers Federation was looking for a more effective strategy in which to market their fruit overseas, which resulted in the passing of the Apple and Pear Marketing Act in 1948. Today, the New Zealand Apple and Pear Board is a very successful agricultural cooperative marketing group with sales of NZ \$784,794,000 in 1997. It is not a government operation either by control or subsidy. Due to the Board's operational and marketing strengths, the New Zealand producers have attained a significant price premium in world markets. The industry would have been considerably more fragmented and probably not as successful if there had not been a single-desk structure arrangement. This is due to the nature and size of the industry in New Zealand and the necessity to export most of its production to distant markets. Many in New Zealand contend that the Board's single-desk structure has been the major reason behind the success of the New Zealand pipfruit industry.

Competition in all of the export markets is increasing, and it was very intense in 1998 as many countries in Europe, North America, and South America as well as South Africa are competing with New Zealand. Furthermore, there is an oversupply of fresh apples in the world market, and the demand in the developed countries is not increasing.

In addition, there is an increasing concentration of retail food operations in many countries of the world, and thus, they have strong buying power. Also, New Zealand is disadvantaged by its geographic location and the high shipping costs. For many years the Board has been able to suc-

cessfully differentiate their products, but this is becoming increasingly difficult due to competitors' actions. The New Zealand Apple and Pear Board, however, continues to be the world's leading exporter of apples.

Presently, there is another major challenge to the Board's single desk arrangement. The New Zealand government wants to privatize the Board, and this has become very controversial. The majority of the industry think that it is imperative to have a single-desk marketing arrangement for exporting due to the competitive situation and the strength and demands of the large retailers. Market power is essential to obtaining good returns in today's world market.

The purpose of the research paper, therefore, is to examine why the Board has been very successful and to consider the implications of government privatization. What happens concerning privatization has major implications for the growers, who control the Board, and for New Zealand as the Board is a major contributor to foreign exchange earnings.

## Operations and Strategy

The New Zealand pipfruit industry (apples and pears) is a billion-dollar industry, which is a very large business for a small country. In 1995, the New Zealand Apple and Pear Board exported NZ \$550 million of apples and pears; the industry had orchard assets of more than NZ \$600 million, and an estimated 8,500 people were employed directly and 11,600 in total. The industry is a major sector of the economy and, between 1985 and 1995, increased foreign exchange earnings by 340 percent; this was a larger increase than that of the major manufacturing, tourism, and other agricultural export industries (dairy and meat). This remarkable achievement has been attained by an industry that does not have any natural comparative advantages over its international competitors. Therefore, it is important to consider why the Apple and Pear Board has been very successful, and why the abandonment of the single-seller status may be detrimental to the industry and New Zealand.

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## Operations

The Apple and Pear Marketing Act of 1948 was approved by the government, and this established a board with the power to acquire and market all apples and pears grown in New Zealand. In the early 1970s, the industry was close to bankruptcy. At this time, government legislative changes were made in the Act to allow the Board to be restructured as a fully commercial company. The Board's practices remained largely unchanged until 1993 when, at the request of the growers, the government approved legislation to deregulate the local market for fresh and processing fruit. Therefore, beginning in January 1994, growers were able to sell their crop direct to New Zealand wholesalers, retailers, or processors for sale in the country, or they could sell to the Board. The deregulation of the domestic market resulted in a sharp drop in the price of apples.

The Board is the primary organization for exporting apples and pears, but the orchard growers or commercial firms can apply to the Board for export consents to export the non-core products on their own behalf. These products must satisfy particular criteria that assess whether the products compete with the Board's core business. Four organizations applied for consent to export apples and pears during 1996–97, and three were granted approval. One involved exporting pears to Malaysia; another involved exporting small-sized apples to Sri Lanka; and a third involved exporting organic apples to several international markets.

Due to some of the competing countries having considerably lower costs of production and intensive competition in the global markets, the New Zealand Apple and Pear Marketing Board decided many years ago that it was imperative to pursue innovation strategies in order to improve operational effectiveness and efficiency necessary to be competitive. The significant areas of innovation and operations improvement have been product development, pesticides, fruit processing, handling and storage, packaging, working practices, and shipping.

The Board tested 128 varieties of apples and 25 new pears in 1993, and it introduced 32 new apple varieties and nine new pear varieties to growers in 1994. Most of the new varieties will be unsuccessful, but the goal is to have one or more varieties be as successful as the Braeburn apple. The Board had a competitive advantage for sev-

eral years with this variety, but now many other countries are also producing this apple. Therefore, new variety development is essential to maintain a competitive advantage.

There are many other areas where operations have been improved. The Board is the world leader in reducing pesticide use for pipfruit. Pioneering technology utilizing ion-exchange and cloudy juice processing has made the Board the world leader in the production of apple juice concentrate in terms of consistency and quality. There have been technological improvements in cool stores and handling equipment. An example of improvements in the quality systems and packaging was the change to new palletable packaging in 1996. This was widely accepted by customers, and even though the packaging cost was considerably higher, the revenue benefits were substantially improved over the old packaging, and there were also other benefits. The use of a portable controlled atmosphere module that converted a ship's hold into a controlled atmosphere cool store was a major technological development that improved the handling and quality of products. This particular technology revolutionized vessel design and operations. Also, the Board was the first New Zealand agricultural exporter to use fully chartered ships, which provided savings and flexibility. Another operational improvement is the body of knowledge concerning the market that has been provided to growers; it has enabled them to make the product, production, and handling changes necessary to maintain a strong competitive position.

Although only a few have been mentioned, many other innovations have led to operational improvements over the years. The improvement of marketing operations through branding and partnership sourcing relationships also have been major operational changes. There will be a discussion of marketing efforts in the strategy section of the paper. Table 1 indicates the effectiveness of the New Zealand Apple and Pear Board operations as New Zealand was ranked number one out of the top ten major apple suppliers in the world in 1995.

Other operational advantages of the Board's single-seller status include the ability to gain significant advantages through the coordination of product development, research, shipping, and marketing efforts. The economies of scale allow the Board to purchase services in bulk and also to undertake long-term strategic production, handling, shipping, and marketing projects that could not be

**Table 1. 1995 Competitiveness Rankings of World Major Apple Suppliers.**

Rank	Overall	Production Efficiency	Infrastructure and Inputs	Financial and Markets
1	<i>New Zealand</i>	Austria	Chile	<i>New Zealand</i>
2	Chile	Belgium	<i>New Zealand</i>	Netherlands
3	Netherlands	Netherlands	United States	Belgium
4	Belgium	Brazil	Argentina	Japan
5	United States	<i>New Zealand</i>	South Africa	United States
6	Austria	Chile	Canada	France
7	South Africa	South Africa	Brazil	Chile
8	Brazil	South Korea	France	Canada
9	Japan	Japan	Germany	Austria
10	France	France	Turkey	United Kingdom

Source: Based on *World Apple Report* (February 1996).

undertaken by individual exporters. The coordination and capabilities of the single desk also minimizes the industry risks and maximizes returns to the growers. Risk is a very important feature of pipfruit production and marketing. This is due to climatic variation, fruit physiology changes, freight rate changes, finance rates, exchange rates, international politics pertaining to quotas and tariffs, competition, and foreign market disturbances. Many of the sources of risk are not controllable by the industry, but good management practices have eased some of the risks. For example, the Board's effective foreign exchange management in 1994 contributed 18 percent or \$3 of the grower's total return per carton.

Information concerning total revenues, revenue per carton, and the amount paid to growers per carton by the New Zealand Apple and Pear Marketing Board is provided in Table 2. It is not shown in the table, but the payment to growers in 1992 was \$18.78, which was considerably more than any other year in the 1990s. The payment decreased to \$10.21 by 1997, which made it an extremely difficult financial situation for the growers. However, the return paid to growers in 1998 is \$14.17, which is almost a 40 percent increase over 1997, and this will alleviate some of the growers' financial problems. Due to climatic factors, supply of pipfruit, and competitive conditions, there is wide fluctuation in revenues and returns paid to growers as shown in Table 2.

Information concerning operating revenue, expenditures, operating surplus, net surplus, and the average return paid to growers per tray carton is provided in Table 3. This table is included to point out the expense situation when an operation is located a great distance from the Board's major markets of Europe and North America. Total expenditures amount to two-thirds of the operating revenue per tray carton. More than one-half of the total expenditures is for distribution, freight, and shipping; approximately twenty-five percent for operations and marketing; and twelve percent for packaging.

In addition to being very successful with operations, it is important to consider the Board's outstanding strategy. This strategy has enabled it to be the world's leading exporter of apples and to receive premium prices in a very competitive global market.

### *Strategy*

The international strategy of the New Zealand Apple and Pear Board has been very successful, and it is based on product differentiation, branding, innovation, distribution, and research and development. With the exception of innovation, all of the other elements will be discussed. Innovation, which is an extremely important part of the strategy, was discussed in the operations section of the paper.

**Table 2. New Zealand Apple and Pear Marketing Board Revenues and Financial Position (1993–97).**

	1997	1996	1995	1994	1993
	-----NZ \$'000-----				
Revenues					
Fresh Fruit Export	519,725	631,645	556,662	460,690	450,798
Commercial Operations <sup>a</sup>	265,069	242,236	227,889	141,643	120,178
<b>Total Revenue</b>	<b>784,794</b>	<b>873,881</b>	<b>784,551</b>	<b>602,333</b>	<b>570,976</b>
Revenue per Carton	32.09	35.09	30.95	38.46	33.98
Export Pool Return per Carton	10.21	12.17	11.10 <sup>b</sup>	16.25	10.82
Less Capital Charge	0.00	0.19	0.18	0.00	0.26
<b>Paid to Growers per Carton<sup>c</sup></b>	<b>10.21</b>	<b>11.98</b>	<b>10.92</b>	<b>16.25</b>	<b>10.56</b>

<sup>a</sup>Local market pool excluded from all years.

<sup>b</sup>"Stabilization Reserve" distribution per carton equivalent was \$1.08.

<sup>c</sup>Return to growers in 1998 is \$14.17.

Source: New Zealand Apple and Pear Marketing Board (1996, 1997).

**Table 3. Statement Of Financial Performance, New Zealand Apple And Pear Board, Fresh Fruit Exports (1996 And 1997).**

	1997	Average	1996	Average
	NZ \$'000	Per T/Ctn \$NZ	NZ \$'000	Per T/Ctn \$NZ
<i>Revenue</i>				
Sales	516,577		628,224	
Other Income	3,148		3,421	
<b>Total Operating Revenue</b>	<b>519,725</b>	<b>32.09</b>	<b>631,645</b>	<b>35.09</b>
<i>Expenditures</i>				
Packaging	64,018	3.95	72,911	4.05
Distribution, Freight, and Shipping	181,654	11.22	219,995	12.22
Operations and Marketing	88,820	5.48	100,754	5.60
Administration	7,037	0.43	5,977	0.33
Finance	15,509	0.96	16,705	0.93
<b>Total Expenditures</b>	<b>357,038</b>	<b>22.04</b>	<b>416,342</b>	<b>23.13</b>
<i>Operating Surplus</i>	162,687	10.05	215,303	11.96
Provision for Tax	(5,427)	(0.34)	(1,672)	(0.09)
<i>Surplus after Taxation—</i>				
<i>NZ Fresh Fruit Exports</i>	157,260	9.71	213,631	11.87
Earnings of Associated Co.	(180)	(0.01)	180	0.01
Amortization of Goodwill	—	—	(1,497)	(0.08)
Commercial and Investment Operations	8,314	0.51	6,814	0.37
<b>Net Surplus Paid to Growers</b>	<b>165,394</b>	<b>10.21</b>	<b>219,128</b>	<b>12.17</b>

Source: New Zealand Apple and Pear Marketing Board (1996, 1997).

**Product Differentiation.** One of the key elements of the strategy is the continuous development of new varieties, such as Braeburn and Royal Gala. The Board has been the world leader in the market with new varieties, and therefore, it has been able to differentiate its products and earn premium prices. Apple juice from the Board also has been successfully differentiated. The product differentiation effort is continuing as approximately 40 new apple varieties were test-marketed in 1994 with consumers in the United Kingdom.

As a result of pursuing this strategy of product differentiation, which is based on relatively new multiple products, the Board has been in a very strong position to provide an offering of unique products to global customers. The product differentiation strategy has created a significant competitive advantage. It is doubtful that small growers and relatively small fruit-exporting firms would have been as successful as the Board in reading the market signs and having the resources to develop the varieties and the successful marketing programs needed for the export markets.

**Branding.** The Board marketed pipfruit under the name "New Zealand" until 1991 when the brand name "ENZA" was created. The reason for the change was that the name "New Zealand" could not be registered and, therefore, could be used by any New Zealand exporter, regardless of quality or other standards. A brand was needed by the Board to compete with strong international fruit brands. The ENZA brand was designed to convey brand values such as (1) superior and consistent quality; (2) excellent customer service; (3) innovation; (4) healthy and natural attributes, and (5) modern, sophisticated, and disciplined characteristics. These brand values support the business and marketing strategies utilized by the Board.

If the product development and product differentiation strategy is to be successful, there must be a brand image that serves as an umbrella under which apples, a commodity product, can be successfully marketed. Branding provides the industry greater control over its own destiny. Retailers also like the product differentiation and branding strategy as it assists in promoting the products that they sell and, therefore, provides them with a greater profit opportunity. Branding, therefore, has strengthened the Board's competitive advantage in global markets.

**Distribution.** Many improvements have been made in the distribution system since the 1980s. One very important change by the Board was the elimination of the various middlemen in the distribution chain and the development of wholly owned sales, marketing, and distribution companies in the major global markets. More than 70 percent of New Zealand's pipfruit exports are sold by the Board's subsidiaries to the distributive wholesalers and retailers worldwide. The Board realizes that the real market power lies with the very large retailers in the different markets, and therefore, wholly owned companies are needed in order to have effective marketing programs.

The giant food retailers want a large, continuous, high-quality supply of pipfruits and also partnership sourcing relationships, which the Board can offer when operating as a single-desk, large organization marketing almost all the pipfruit grown in New Zealand. The close relationship with the large retailers is a major source of international competitive advantage for the Board. Retailers are willing to pay premium prices for a continuous supply of high-quality, branded products. With the change to a wholly owned distribution system in the major global markets, the Board now has total control over the product all the way from the growers to the retailers. This is greater control than what the other Southern Hemisphere competitors can provide, and therefore, the Board is able to offer the market higher-quality products.

The results of the effective distribution system are the ability to maximize market prices, minimize costs, provide good management and control of the supply chain system, and make available pertinent market information to growers. The Board estimated a savings of about 20 percent due to owning their own subsidiaries, which has enhanced their efficiency, control and market power. No individual grower or firm would have been able to control the distribution chain to the same extent as the Board.

**Research and Development.** The funding for research and development on the part of the government has been minimal as New Zealand is a small country. Investment in research and development is extremely important for any industry in a competitive market. The Board was extensively involved in these activities in the 1970s, 1980s, and 1990s. In 1993, the Board established a Research, Development, and Quality Unit to improve the focus on fresh fruit technical activities and to provide

more service to the marketing operations. Research activities involve product development, laboratory services, market access, engineering, and product quality. The unit also has a joint venture arrangement with the Crown Research Institute, and the objective is to breed and develop new and unique apple and pear varieties. This will be beneficial to the growers and the Board as the new varieties that are accepted by consumers bring a premium price. If the industry is to continue having stability and long-run profitability, it will be essential to develop and market new varieties.

### Concluding Strategy Comments

The New Zealand Apple and Pear Board has created a significant competitive advantage, and the organization is very successful in the global market. This is due to the combination of its single-desk arrangement and a very high-quality management, according to a study by Steele (1995). In his book *The Competitive Advantage of Nations*, Michael Porter states, "a nation's firms must relentlessly improve productivity in existing industries by raising product quality, adding desirable features, improving product technology, or boosting production efficiency." It can be concluded that the Board has been effective in developing and implementing operations and strategies that have achieved what Porter thinks is essential for a nation's firm.

### Present And Future Challenges

The New Zealand Apple and Pear Board has been an international business success and has provided major economic benefits to the growers and to New Zealand for four decades. Steele (1995) contends that none of the Board's competitors have the same distribution power in the global market, and consequently, the Board is the world's most effective competitor in the global pipfruit industry. The future environment for the pipfruit industry is undergoing continual change. When considering the future for the New Zealand Apple and Pear Board, it is necessary to examine market conditions pertaining to supply, demand and competition, and the Board's situation in terms of production, marketing and single-seller status in the international market.

### Supply and Demand

In *The World Fresh Fruit Market*, Rabobank (1993) predicted that steady increases in world fruit production will lead to an oversupply and declining prices. The production of apples for export from the Southern Hemisphere countries was predicted to increase 44 percent between 1993 and 1998. This happened as a result of increased acreage and improved cultivation techniques in countries with cheap land and labor. China tripled its acreage and production between 1979 and 1990, and growth is continuing while product quality is improving. China wants to increase exports of fruit and could become a low-cost, major international competitor. The Rabobank report also contends that markets for fresh fruit in developed countries are close to saturation, and any increase in the supply of traditional types of fruit will depress the price. Therefore, it appears that the global fresh fruit market will become even more competitive in the future as a result of the supply and demand situation. Supply conditions, however, change from year to year because of weather conditions and other factors influencing the quantity and quality of supply.

According to O'Rourke (1996), world apple supplies have been rising in the past two decades, an increase of 6.23 million metric tons in the 1980s and, another 8.19 million metric tons in the early 1990s (Table 4). A production increase of another 4 million metric tons is predicted by the year 2000. The increase could be even larger if the production in China continues to expand at its current rate. The production situation could have a significant negative impact on apple prices and grower profitability.

**Table 4. World Apple Production Trends.**

Country	1989-91	1994	2000 (forecast)
	-----000 metric tons-----		
Africa	1,009	1,275	1,860
No. America	5,442	5,979	6,615
So. America	2,401	2,736	2,851
Oceania	668	862	1,020
Asia	4,220	4,452	6,000
China	12,105	20,386	22,416
Europe	13,078	13,200	14,177
Total	38,923	48,890	54,939

Source: Based on O'Rourke (1996).

### Competition

There are four major competitive forces impacting the New Zealand pipfruit industry. One is the increasing concentration and market power of the retail food chains in the major markets. This means that a firm must be able to provide a large continuous supply of quality fruit and that relationship marketing will become increasingly important. Also, with the chains' market power, a lot of pressure will be placed on margins.

A second competitive force is improvements in storage technology that has eroded the natural seasonal strategic marketing advantages suppliers in the Southern Hemisphere. This has created increased competition from suppliers in the Northern Hemisphere.

A third factor is an increase in the supplies of fruit other than pipfruit, some of which are exotic and extensively promoted. When considering increasing supplies of traditional types of fruit and the introduction and promotion of exotic fruits, this may reduce the prices that growers will receive for their apples and pears.

A fourth source of competition in the global pipfruit market is the competition from other firms and countries. Major competing exporting countries to New Zealand's major markets in the European Union and North America are Argentina, Brazil, Chile, and South Africa. After the turn of the century, China is expected to become a competitor, particularly in the expanding Asian market. The other suppliers in the Southern Hemisphere have made dramatic improvements in production, handling, storage, and distribution as a result of technology; they have also made major investments in marketing. Furthermore, U.S. and EU countries are major fruit producers and sell primarily to their domestic market, but they also do some exporting. New Zealand has been able to successfully compete in the very competitive and sometimes oversupplied global market by offering newer varieties, branding the products, and offering better services. An example of increasing competition from firms was the merger of Unifruco and Outspan of South Africa, in 1998, into a new firm, Capespan International. It sells branded fruit and now has a combined marketing season of 50 weeks. Also, Capespan offers the large food retailing chains a variety of deciduous, citrus, and subtropical fruits on a volume scale required by the chain buyers.

#### *Future Situations of Board's Production and Marketing*

The Board's competition, as explained previously, will be very intense in the future due to in-

creased production of pipfruit in the world, other countries firms' utilization of advanced technology, and competitors' greater investment in marketing increased sophistication and efficiency. This will be a difficult, future, competitive scenario for New Zealand's pipfruit industry for several reasons. There is no natural competitive advantage and no longer a major seasonal advantage for New Zealand. The land and labor in New Zealand is relatively expensive compared to that in several other competing countries, and the orchards are not large, a scale and efficiency problem. In addition, the newer, very successful varieties developed in New Zealand are being produced in large quantities by competing countries. Also, there is a major shipping cost disadvantage due to operations being located a long distance from the major international markets in the United States and the European Union.

The New Zealand Apple and Pear Board and the pipfruit industry have been very successful for decades. However, due to the changing competitive environment, it is imperative that the New Zealand pipfruit industry continue to invest heavily in technology to improve production, handling, packaging, storage, and shipping. Also, orchards need to become larger in order to be more efficient. In addition, a strong research effort needs to be continued to develop new varieties as this has been a key part of the industry's success in maintaining a competitive advantage and a price premium. Furthermore, a high level of investment needs to be continued in the ENZA brand and in marketing. The Board can continue to be successful in the future, but the dynamics of the market will be considerably more difficult than they have been in the past two decades.

#### *Deregulation*

The New Zealand government's privatization programs emerged in an ad hoc fashion, beginning with the sale of New Zealand Steel in 1987. Later on, the New Zealand Post, Public Trust Office, and numerous other government-owned commercial assets joined the process of privatization and deregulation. The government rationale for endorsing privatization is overall wealth maximization through dynamic growth, greater efficiency under private ownership, fewer temptations for government meddling, disruption of commercial decisions, and repayment of foreign debt. The New Zealand Apple and Pear Board is presently perceived by the government and a few consortia of middlemen and grower-led organiza-



tions as an unwanted vestige of the government intervention period.

The present government's position is that trade benefits, such as reduction of export subsidies and support of competing industries, are the main benefits of deregulation for the pipfruit industry. The World Trade Organization is pressuring New Zealand to remove the government from the pipfruit industry, and therefore, deregulation is believed to be inevitable in the long term. The government contends that it is better to have a controlled and industry-driven transition than for the industry to have change forced on them at short notice. It should be noted that the New Zealand pipfruit industry receives very little government subsidy, and New Zealand is among the "cleanest" of the Organization for Economic Cooperation and Development (OECD) countries in terms of government support related to subsidies for agriculture. The primary government involvement is legislation, which allows the Board to function as a single-desk structure arrangement.

The following arguments used in the debates supporting deregulation pertain to the economic benefits of trade with open competition: Individual growers will enjoy increased returns through improved marketing practices; growers will receive their monetary investment in the Board, which is now locked up and not accessible; the Board's operations are too expensive; and the Board is slow-moving and cannot service every market equally. Some growers, whose apples under the Board's specifications for export fruit were unacceptable and who could not seek alternative markets, also joined the battle for deregulation.

The majority of the growers, however, are against deregulation. They emphasize the advantages of the existing organizational structure as collective marketing ensures greater stability and financial returns than multi-desk selling. They also argue that fragmentation leads to oversupply, lower prices, and loss of equity and value. Furthermore, deregulation will result in longer and more expensive distribution channels and higher operations and marketing costs. Also, the industry-wide research, high-quality standards, innovation, development and promotion of new varieties, and the brand value of ENZA may be in jeopardy if deregulation occurs.

If deregulation takes place, the growers have a variety of options. One alternative will be to continue supporting the New Zealand Apple and

Pear Marketing Board. Other possibilities are to develop their own export strategy, to align with a larger supplier, such as Tesco, or to join some type of cooperative model with a group of exporters. The Board is preparing for the deregulation that may occur and is considering the changes that might be required. Alternative long-term strategies are being considered, and the Board is preparing for competition from other New Zealand suppliers by trying to gain a competitive advantage before new entrants come into the market.

A major issue pertaining to deregulation concerns how to avoid losing the advantages of branding and, specifically, the ENZA brand and, therefore, how to avoid the problems with commodity selling. Another important issue pertains to retaining economics of scale as there are few fruit suppliers who have the scale, knowledge, and delivery mechanism to consistently provide the volumes of branded differentiated product, quality, and marketing support that the large food retailers in the global market require. The argument for improving overall efficiency and effectiveness through deregulation is questionable due to the size of the New Zealand pipfruit industry. Deregulation will mean uncertainty for the small growers, will result in a loss of control over the value chain, and will also reduce the financial strength and bargaining power of the industry. The Board provides the market discipline that is needed to be successful. A major concern with deregulation is whether there will be adequate discipline when several New Zealand suppliers are competing with one another as well as other competitors in the global market.

Since Australia deregulated its pipfruit industry in 1974, there has been a major decline in the quantity of apples exported. Australia exported almost twice as many apples as New Zealand in 1973, but by 1996, New Zealand was exporting more than 15 million cartons, compared to Australia's 1.8 million cartons. There were 50 Australian exporters in 1992 compared to only one for New Zealand—the New Zealand Apple and Pear Marketing Board. The lack of a unified and integrated approach has kept Australian growers' costs high. Individual competing exporters could only offer small volumes that limited their access to major markets and the large food retailing chains, and overall marketing development and support was inhibited. Australia, in recent years, has been attempting to unify the in-

dustry. Israel deregulated its Citrus Marketing Board in 1991, and nine exporters were granted licenses to export. During the next two years, Israel's citrus exports declined 25 percent, and prices dropped. At the same time, South Africa's single-desk seller's citrus brand, Outspan, increased its sale of citrus exports. South Africa's single desk structure continues today to be very successful. In 1993, Israel's Minister of Agriculture stated that the privatization of the Israel citrus industry two years ago proved to be a failure.

When considering New Zealand's pipfruit production and marketing situation, it appears that the single-desk structure is the most effective and efficient for the export of pipfruit. Steele's study concluded that the benefits, which accrue to growers and New Zealand by having the New Zealand Apple and Pear Board act collectively on their behalf via the single-desk structure, are the optimum arrangement relative to the competitive international environment.

### Conclusion

There are numerous changes occurring at the international level, and the dynamic environment is becoming increasingly complex and competitive. The single-desk structure arrangement needs to be continued by New Zealand in order to compete in this turbulent environment. Deregulation would put at risk the considerable brand equity and premium price position achieved by the Board with the ENZA brand in an oversupplied global market. There is a high probability also that deregulation would result in price-cutting competitive actions by New Zealand export companies, a loss of grower revenue, many small growers going

out of business, overall downsizing of the pipfruit industry, and New Zealand's loss of its strong competitive position in the global market.

The Board has performed well in achieving optimum returns for the growers. Markets have been correctly targeted, and in all global markets, the ENZA brand is either counted first or second compared to the other competitors in the Southern Hemisphere. The Board is needed to provide the structure and resources to deal with major global customers and to develop effective marketing campaigns. Also, the Board's operations provide efficiencies of scale throughout the supply chain, and they provide the leadership and resources for the research and development that is extremely important for developing new varieties. It is important to remember that the New Zealand Apple and Pear Board, in 1995, had the highest overall competitive ranking of all the world major apple suppliers and was ranked particularly competitive in the categories of infrastructure and inputs and financial markets. The Board has been an outstanding international business success, and deregulation would put the New Zealand pipfruit industry at considerable risk.

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