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Citrus

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Report Highlights:
Total orange production for CY 2008/09 is forecast at 350 thousand metric tones (TMT), down sharply on the revised estimate for the previous year and largely due to drought. Industry sources advise that tree removal for 2007/08 could be as high as 12 percent and that as much as another four percent of trees have effectively been "decommissioned" for the 2008/09 season. Over the past decade Valencia production has given way to Navel production with Navel oranges now consistently out-producing Valencia's.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Canberra [AS1]
[AS]

Table of Contents

SECTION ONE: SITUATION AND OUTLOOK........3
General 3
Oranges........3
Production........3
Exports........4
Orange Juice 4
Production........4
Trade........5
SECTION TWO: STATISTICAL TABLES........5
Recent Reports from FAS/Canberra........6

SECTION ONE: SITUATION AND OUTLOOK

General

At the time of writing this report, Australia is experiencing a severe and prolonged drought. Despite recent rainfall, dry conditions continue to affect citrus production in Australia providing poor soil moisture in crop growing areas and low levels of irrigation water reserves in the catchment areas.

In the most extreme cases, some citrus producers will be focused on keeping trees alive until more water is available, rather than trying to maximize productivity. Industry reports have provided strategies for surviving severe drought conditions while the Federal government has made available drought assistance funding to drought affected farmers.

Traditionally, Australia produced mostly Valencia oranges. However, over the past decade Valencia production has given way to Navel production with Navel oranges now consistently out-producing Valencia's. Significant imports of frozen orange juice and fresh oranges have played a role in this industry restructure. The advent of drought and the sharp declines in water availability have seen the shift towards Navel production hasten. Advances in irrigation technology and industry restructure have also been hastened by the severity of the drought.

Industry sources suggest that perhaps the bulk of the impact of the drought is yet to be experienced and are anticipating even more difficult conditions in 2008/09. The full effects of current tree removal, constrained fruit set and the exit from the industry of some producers will likely not be realized until next year.

Industry sources maintain some hope however that the industry can recover once current drought conditions cease. They cite removal of older trees and the hastened progression towards production technology as vital to the industry's long term productivity.

Post advises that anecdotal evidence suggests that planting of new trees during the current drought has not subsided, and has likely increased relative to bearing trees. The removal of older varieties and the fact that newly planted trees require less water to maintain has encouraged producers to replant.

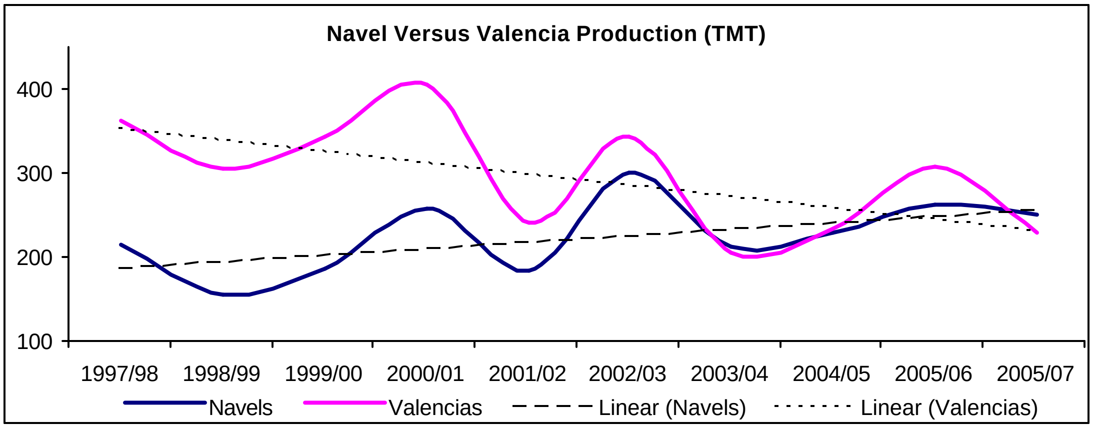
The Australian citrus industry currently has about 13 organizations providing leadership services and representation. Difficult conditions currently being experienced have given rise to debate regarding industry structure. The industry is currently conducting a series of grower meetings to discuss future options.

Oranges

Production

Total orange production for CY 2008/09 is forecast at 350 thousand metric tones (TMT), down sharply on the revised estimate for the previous year. Industry sources advise that tree removal for 2007/08 could be as high as 12 percent and that as much as another four percent of trees have effectively been "decommissioned" for the 2008/09 season. In terms of the productivity of remaining trees, industry sources advice that "fruit set" has been affected by drought conditions and this will likely significantly lower yield potential. Further, extremely low levels of irrigation water reserves will likely constrain production for the foreseeable future even if climatic conditions return to near normal levels.

Production for 2007/08 has been revised downwards to 419 TMT, an historically low level which has been driven by the smallest Valencia crop for 32 years. Post notes that falling Valencia production is a long-established trend in Australia that began over a decade ago. Drought conditions currently being experienced have hastened this decline.



Source: World Trade Atlas data

Post advises that tree number estimates are derived from interviews with trade sources, as there is currently no source of national data. However, industry is currently collecting tree data which should provide more accurate data in the future. Post will likely revise its tree estimates once this data becomes available.

Exports

Exports of Australian oranges in 2008/09 are forecast at 100 TMT, down from the revised estimate of the previous year. Post advises that despite the large production decline, the reduction in exports is expected to be proportionally lower. Industry sources are anticipating improved average quality in both 2007/08 and 2008/09. A smaller crop and the associated improved management capability, together with a continuous improvement in management practices, are expected to see noticeable improvements in average crop quality. Crop quality typically has a large impact on export volumes and so export volumes are not expected to decline as much as production.

Orange Juice

Production

Total orange juice production for 2008/09 is forecast at 7,307 MT, down sharply on the revised estimated for the previous year. This sharp decline in production will likely be driven by a sharp decline in deliveries of fruit to processors. The production of Valencia oranges, the variety traditionally used in orange juice manufacturing, has been suffering long term decline.

Post advises that official orange juice production numbers are not available. Orange juice production numbers are derived from citrus production and trade figures and converted (using a conversion factor of 13) to provide total juice production.

Trade

Exports of orange juice are expected to decline to 1100 MT in 2008/09. Exports of juice typically account for only a small proportion of total juice production, and so may not necessarily change in line with production.

Imports of orange juice are forecast to increase in 2008/09 to 34,500 MT. This increase will likely be driven by declining domestic production and is in line with the longer term growth in imports over the past decade.

SECTION TWO: STATISTICAL TABLES

PSD Table
Oranges, Fresh

	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		04/2006	04/2006		04/2007	04/2007		04/2008	04/2008	MM/YYYY
Area Planted	32000	32000	32000	32000	320	27000	0	0	27000	(HECTARES)
Area Harvested	27000	27000	28000	27000	270	23000	0	0	23000	(HECTARES)
Bearing Trees	6060	6060	6250	6060	6060	5500	0	0	5500	(1000 TREES)
Non-Bearing Trees	1150	1150	1150	1150	1150	1500	0	0	1250	(1000 TREES)
Total No. Of Trees	7210	7210	7400	7210	7210	7000	0	0	6750	(1000 TREES)
Production	444	444	470	450	450	419	0	0	350	(1000 MT)
Imports	15	15	15	15	15	12	0	0	15	(1000 MT)
Total Supply	459	459	485	465	465	431	0	0	365	(1000 MT)
Exports, Fresh	115	115	128	105	105	110	0	0	100	(1000 MT)
Fresh Dom. Consumption	180	180	180	185	185	185	0	0	170	(1000 MT)
For Processing	164	164	177	175	175	136	0	0	95	(1000 MT)
Total Distribution	459	459	485	465	465	431	0	0	365	(1000 MT)

PSD Table
Orange Juice

	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2006	07/2006		07/2007	07/2007		07/2008	07/2008	MM/YYYY
Deliv. To Processors	164000	164000	177000	175000	175000	136000	0	0	95000	(MT)
Beginning Stocks	2739	2739	2739	1714	2785	1161	1645	0	1022	(MT)
Production	12615	13846	13615	13461	0	10461	0	0	7307	(MT)
Imports	35000	35000	28574	35000	0	32500	0	0	34500	(MT)
Total Supply	50354	51585	44928	50175	2785	44122	1645	0	42829	(MT)
Exports	1640	1800	1767	1530	0	1600	0	0	1100	(MT)
Domestic Consumption	47000	47000	42000	47000	0	41500	0	0	41000	(MT)
Ending Stocks	1714	2785	1161	1645	0	1022	0	0	729	(MT)
Total Distribution	50354	51585	44928	50175	0	44122	0	0	42829	(MT)

Recent Reports from FAS/Canberra

The reports listed below can all be downloaded from the FAS website at: http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp.

Report Number	Title of Report	Date
AS7065	Ag Down Under Vol. 12	11/02/07
AS7063	Dairy & Products Annual	10/24/07
AS7062	Issues Paper – Safeguards Inquiry into Imports of Pig Meat	10/24/07
AS7061	Govt. Announces Safeguards Inquiry into Imports of Pig Meat	10/22/07
AS7060	ALP Wheat Marketing Proposal	10/15/07
AS7059	Ag Down Under Vol. 11, 2007	10/15/07
AS7058	Export Wheat Commission Established	10/15/07
AS7057	Sugar Semi-Annual	10/10/07
AS7056	Biosecurity Australia – Transitional Arrangements for Import Work Program	10/09/07
AS7055	October Grain Lockup	09/28/07
AS7054	Ag Down Under Vol. 10, 2007	09/21/07
AS7053	Livestock Annual	09/20/07
AS7050	Ag Down Under Vol. 9, 2007	08/31/07
AS7049	Australia Battles Equine Influenza Outbreak	08/28/07
AS7048	New Import Conditions for Seafood Products	08/20/07
AS7047	New Regulations for Applying to Amend the Food Standards Code	08/20/07
AS7046	Cotton Quarterly Update	08/20/07
AS7045	New Report Released Supporting GM Crops	08/20/07
AS7044	FAIRS Export Certificate Report	08/20/07