



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Scheduled Report - public distribution

Date: 3/11/1999

GAIN Report #AS9012

Australia

Canned Deciduous Fruit

Canned Deciduous Fruit Annual 1999

Prepared by:

Randolph H. Zeitner

U.S. Embassy

Drafted by:

Scott Turner

Report Highlights:

Cannery intake for peaches and pears in 1998-99 similar to previous year.

Export of canned peaches increase strongly from a low base during the 1998 calendar year.

Pear exports remain strong.

Canned fruit imports remain insignificant.

Canned apricot production increases.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Canberra [AS1], AS

Executive Summary	Page 1 of 19
Canned Peaches	Page 2 of 19
Production	Page 2 of 19
General	Page 2 of 19
Consumption	Page 3 of 19
General	Page 3 of 19
Prices	Page 4 of 19
Trade	Page 5 of 19
General	Page 5 of 19
Overall Trade Trends	Page 6 of 19
Marketing	Page 7 of 19
Import Requirements	Page 7 of 19
Marketing Channels	Page 7 of 19
Policy	Page 9 of 19
Tariff Changes	Page 9 of 19
Canned Pears	Page 10 of 19
Production	Page 10 of 19
General	Page 10 of 19
Consumption	Page 11 of 19
General	Page 11 of 19
Utilization Patterns	Page 11 of 19
Trade	Page 12 of 19
General	Page 12 of 19
Overall Trade Trends	Page 13 of 19
Policy	Page 14 of 19
Tariff Changes	Page 14 of 19
Canned Mixtures	Page 15 of 19
Trade	Page 16 of 19
General	Page 16 of 19
Canned Apricots	Page 17 of 19
Production	Page 17 of 19
General	Page 17 of 19
Policy	Page 17 of 19
Tariff Changes	Page 17 of 19
Trade	Page 18 of 19
General	Page 18 of 19
Overall Trade Trends	Page 19 of 19

Executive Summary

Production of deciduous fruit in Australia has been increasing in recent years due to increased numbers of bearing trees. The vast majority of this increase has been directed toward the higher priced fresh market. In some regions varieties that are primarily suited to processing have been removed.

A major concern to the Australian industry at present is the threat of a further erosion of market share in Canada due to the free trade agreement between Canada and the U.S.

Cannery intake for the 1998-99 year is estimated to be similar to the previous season. Cannery intake has been reduced in recent years due to increased competition on the export market from subsidized Greek product. The depreciation of the Australian dollar makes the Australian industry more price competitive.

Exports of canned peaches during the 1998 calendar year (CY) marketing year increased strongly. While this increase is significant exports remain well below levels achieved during the 1980's when, on average, annual exports of over 20,000 MT were achieved. In recent years exports have remained low due to continued tough competition from subsidized EU exports on world markets.

Canning pear intake for the 1997 season is estimated to be similar to the 1996 intake due to continued favorable export prospects for Australian canned pears.

Pear exports decreased by around one percent during the 1998 CY. Decreases occurred in exports to the U.S., and Canada, while exports increased to the UK and Germany.

Canned fruit imports remained relatively insignificant during the 1998 CY year marketing year due to the imposition of countervailing duties on imports from some countries, local canneries producing product for the generic market, and the devaluation of the Australian dollar.

A review which was concluded in December 1996 found that the only duty which should still apply is the countervailing duty against the production aid currently applying to imports of canned peaches from Greece.

While most duties have been removed, the local production of generic product is likely to limit future Australian canned fruit imports.

Canned Peaches

PSD Table			UNIT = MT			
Country:	Australia					
Commodity:	Canned Peaches					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Deliv. To Processors	42588	42588	42500	42500	0	42500
Beginning Stocks	18435	18435	18691	18626	0	16067
Production	33950	33950	34000	34000	0	34000
Imports	1327	1327	1000	1675	0	1500
TOTAL SUPPLY	53712	53712	53691	54301	0	51567
Exports	8521	8586	9000	11234	0	11000
Domestic Consumption	26500	26500	27000	27000	0	27000
Ending Stocks	18691	18626	17691	16067	0	13567
TOTAL DISTRIBUTION	53712	53712	53691	54301	0	51567

Production

General

The total Australian peach crop (including canning, fresh, etc) for the 1998/99 season is forecast to have been larger than the previous year. Peach quality is reported to be pleasing in the major producing regions of northern Victoria. Quality problems did occur in the minor producing regions i.e. fruit bat problems in northern N.S.W. and frost in the Batlow N.S.W. region.

The 1998/99 canning peach crop was reported to be 10-15 percent larger than during the previous year, partially due to the natural increase in growth of young trees. The development of new canning fruit varieties has resulted in an even fruit set, and thus reliable peach production in most years. The peach industry is experiencing an increase in high density plantings which may make Australian peaches cheaper for the canner and thus improve Australia's competitiveness on international markets.

The increase in the number of bearing trees of new peach varieties should see future Australian peach production increase. The majority of this production will be aimed at the fresh market due to relatively higher returns.

Cannery intake for the CY 1999 year is estimated to be similar to the previous season. Canning peaches not used for canning will be used in other processed products or diverted to the fresh market. In recent years cannery intake has been limited due to increased competition on the export market from subsidized Greek product. The depreciation of the Australian dollar makes the Australian industry more price competitive.

Bearing tree numbers are estimated to have increased slightly from 1,181,000 in 1990/91 to a forecast 1,475,000 in 1996/97. Bearing tree numbers have increased in recent years due to an increase in interest in

the domestic fresh and export markets. The closure of the Letona cannery in New South Wales (N.S.W.) has resulted in the loss of canning fruit trees in N.S.W.

The number of canning fruit growers has been falling for a number of years.

Canning fruit growers appear to have transferred resources into production of fresh deciduous fruit, grape (fresh and wine) production, and the production of other fresh fruits.

Major producing areas for canning fruit are the Murray/Goulburn valleys, which account for about 70 percent of Australia's production. The Murrumbidgee Irrigation Area in New South Wales and the Riverland region of South Australia also produce canning fruit. A recent survey indicated that around 85 percent of peaches are grown under irrigation, 90 percent of pears and 95 percent of apricots.

Consumption

General

Domestic consumption of canned fruit has been weak for a number of years due to Australian's eating less desserts and younger consumers preference for fresh fruit. Cannerys concede that this is a major problem. They have attempted to combat this problem by introducing product extensions that include the introduction of "snack packs". These packs are much smaller and are very attractive to mothers for use in school lunches, adult snacks, etc. A market analyst forecasts that annual sales of snack packs will reach A\$60 in 1999.

The latest available per capita consumption figure for all deciduous canned fruit was estimated by ABARE to be 2.9 kg/person in 1995. The Australian Canned Fruit Corporation (now disbanded) suggested that the following reasons have contributed to the problems with canned deciduous fruit consumption:

- S improvements in transport and technology, which have enabled year round availability of fresh fruit;
- S a reduction in the number of dessert meals served;
- S a trend toward eating out;
- S a perception by some consumers that canned fruit is unhealthy;
- S a reduction in shelf space available for canned fruit in retail stores; and
- S competition from imports of subsidized canned fruit, fresh fruit, canned pineapples and other processed products.

The Australian canned fruit industry has attempted to boost canned fruit consumption through the establishment of the Canned Fruit Information Service (CFIS). The CFIS was founded in 1984 and provides educational packages to schools, media, health professionals, etc, on the positive attributes of canned fruit. The CFIS also spread its message via canned fruit tours for various opinion leaders in the community. The CFIS has a budget of around A\$1 million annually and is totally funded by BHP (the only manufacturer of steel plate in Australia) and two leading can makers.

The following table includes information on the various fruit packs available on the Australian market for canned fruit in total. The table reflects the increasing trend in Australia towards the consumption of "natural products" and the growing consumer preference for foods with lower levels of added sugar. Thus the fruit in syrup segment has continued to decline as a proportion of total canned fruit tonnage. Marketers are seeing

strong growth in the sale of single serve 140 gram packs. These products, which are used for children's lunches and for child and adult snacking, have benefitted from some aggressive marketing by SPC, Ardmona and Cottee's.

TOTAL AUSTRALIAN CANNED FRUIT PACK
TYPE BY TOTAL VALUE

Natural fruit (in juice)	61.1 %
Fruit in syrup	22.8 %
Health	8.6 %
Jelly Fruit	0.7 %
Other	6.8 %

Prices

The following table contains indicative grower prices for peaches in A\$/MT.

	1993	1994	1995	1996	1997 (s)	1998 (f)
Indicative Grower Price	463	480	440	460	515	460

(a) For financial year ending year shown. (s) Estimate. (f) Industry forecast.

SOURCE: ABARE Commodity Statistics Bulletin

Exchange Rate: US\$1 - A\$1.59 (3/8/99).

Trade**General**

Import Trade Matrix			
Country:	Australia	Units:	MT
Commodity:	Canned Peaches		
Time period:	Jan - Dec		
Imports for	1997		1998
U.S.	149	U.S.	362
Others		Others	
Spain	700	Greece	1012
New Zealand	327	Australia	163
China	83	New Zealand	128
Greece	56	Italy	7
Rep. of Korea	9	France	2
South Africa	1	Chile	1
Chile	1		
Italy	1		
Total for Others	1178		1313
Others not listed			
Grand Total	1327		1675

Export Trade Matrix			
Country:	Australia	Units:	MT
Commodity:	Canned Peaches		
Time period:	Jan - Dec		
Exports for	1997		1998
U.S.	273	U.S.	1218
Others		Others	
Canada	2385	Japan	3057
Japan	1785	Canada	2149
New Zealand	1376	New Zealand	1842
Singapore	613	Singapore	594
The Philippines	289	Brazil	376
Germany	282	Germany	264
United Arab Emirates	259	Taiwan	223
Taiwan	252	United Arab Emirates	192
Malaysia	176	Malaysia	192
Italy	161	United Kingdom	152
Total for Others	7578		9041
Others not listed	735		975
Grand Total	8586		11234

Overall Trade Trends

Exports of canned peaches for the 1998 CY increased strongly when compared to the level achieved during the previous year. While this increase is significant exports remain well below levels achieved during the 1980's when on average annual exports of over 20,000 MT were achieved. In recent years exports have remained low due to continued tough competition from subsidized EU exports on world markets.

Major export markets included Canada, Japan, New Zealand, the US and Singapore.

One of the major continuing trade concerns facing the Australian industry is the threat of further erosion of its share of the Canadian market to the U.S. as a result of the Free Trade Agreement between Canada and the U.S. The agreement means that tariffs on U.S. canned fruit exports to Canada are being phased out. The Australian Government (GOA) continues to press for similar tariff treatment from the Canadian Government to honor the Canada-Australia Trade Agreement (CANATA), which states tariffs on Australian products entering the Canadian market should not exceed those imposed on a third country. The reluctance of the Canadian Government to honor this agreement continues to be an irritant in trade relations between the two countries. This is especially important to the Australian industry as traditionally around one third of

Australia's exports have gone to Canada.

Imports of canned peaches increased by over 25 percent during 1998 with the main increase coming from Greece and the US. Imports from Spain and New Zealand fell sharply. The historically low levels of imports in recent years reflects the Anti-Dumping actions taken by the Australian Anti-Dumping Authority (see Commodity Outlook, Marketing), Australian canners agreeing to the production of product for the generic market, and the depreciation of the Australian dollar.

Most imports in recent years have been sold in the lower priced generic branded end of the market. The establishment of local generic brands, a recovery in the Australian economy, the development of new product lines including snack packs, and buyer resistance to imported product will limit future imports.

Marketing

Import Requirements

The Australian Anti-Dumping Authority (which is part of the Australian Government) imposed countervailing duties and anti-dumping duties in January 1992 on some canned fruit imports. The Authority concluded that the exports of canned peaches and canned pears from Spain and Greece had been subsidized, and that the above mentioned canned fruit exports had been dumped.

Countervailing duties were imposed on exports of canned peaches from Spain and Greece, and anti-dumping duties were placed on exports of canned peaches from Greece and China. An anti-dumping duty was also imposed on pears imported from China. The countervailing duty on peaches from Greece and Spain was calculated at A\$4.38 and A\$4.54 per basic carton (24 kg gross) respectively. Anti-dumping levies applied are not available due to commercial confidentiality.

This decision applied for an initial period of three years, however, it was subsequently extended to five years. Another review which was concluded in December 1996 found that the only duty which should still apply is the countervailing duty against the production aid currently applying to imports of canned peaches from Greece. This duty has been calculated at A\$2.81 and will apply for a further five years from February 19, 1997. The duty is less than the original duty as the sugar rebate component of the duty has been removed.

Marketing Channels

The Australian canned deciduous fruit industry until recently had four major processors, Ardmona, SPC, Letona and Berrivale. Letona went into receivership in 1993 and has since sold the operation. It appears very unlikely that the plant will recommence operation.

The Australian domestic market is dominated by SPC and Ardmona, with brands produced by these companies accounting for around 85 percent of the market (including generic and housebrands). The strong presence of Australian brands on the domestic market enable SPC and Ardmona to operate a wide pricing spread among their products. This is achieved by product differentiation.

The market percentage shares of the A\$161 million (CY 1998 estimate) canned deciduous fruit industry was as follows:

CANNED DECIDUOUS FRUIT - MARKET SHARE BY VOLUME

Ardmona	39.5%
SPC	33.9%
Generic	15.8%
Berri	3.7%
Golden Circle	1.8%
Cottee's	0.6%
Letona	1.3%
Housebrands	2.9%
Other	0.5%

CANNED DECIDUOUS FRUIT - MARKET SHARE BY VALUE

Ardmona	42.9%
SPC	34.4%
Generic	11.0%
Berri	5.0%
Golden Circle	1.9%
Cottee's	1.0%
Letona	1.1%
Housebrands	2.4%
Other	0.3%

CANNED DECIDUOUS FRUIT - MARKET SHARE BY VALUE

Peaches	35.7%
Fruit Salad	18.7%
Apricots	10.0%
Two Fruits	9.8%
Pears	7.8%
Plums	1.5%
Others	16.6%

Imported canned fruit volume had increased rapidly during the late 1980's in the lower end of the market as generically branded products. However the realization by local canners that their market share was being eroded by cheap imports, led to the introduction of local generic lines of canned deciduous fruit. The imposition of anti-dumping duties and countervailing duties also was an important factor in reducing imports. The recent removal of some of these duties may see imports increase. However, the remaining duties, the abovementioned factors, and the lower value of the Australian dollar should continue to limit imports and allow local manufacturers to retain market share, albeit at the cost of lower average returns.

Policy

Tariff Changes

Imports of canned deciduous fruit are currently subject to a five percent ad valorem tariff rate.

Canned Pears

PSD Table			UNIT = MT			
Country:	Australia					
Commodity:	Canned Pears					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Deliv. To Processors	53312	53312	54000	54000	0	54000
Beginning Stocks	16869	16869	11349	11169	0	6686
Production	39500	39500	40000	40000	0	40000
Imports	161	162	150	277	0	250
TOTAL SUPPLY	56530	56531	51499	51446	0	46936
Exports	32481	32662	33000	32260	0	32500
Domestic Consumption	12700	12700	13000	12500	0	12500
Ending Stocks	11349	11169	5499	6686	0	1936
TOTAL DISTRIBUTION	56530	56531	51499	51446	0	46936

Production

General

Total Australian pear production during 1998-99 is forecast to be over 26 percent larger than the 1997-98 crop due to good flowering and fruit set. The Williams crop which is mainly used for canning is reported to have enjoyed a mixed season while the Packham crop which is grown for the fresh market is reported to be above average with the fruit expected to be of good quality and size.

The Williams crop was light in some areas due to frost and pear tree decline. While canners put more effort into sourcing fruit this year than usual the supply will be adequate. Canning pear intake for the 1998 season is estimated to be similar to the 1997 intake.

The pear crop has not been affected by hail to any significant extent this season

The vast majority of pears are grown in Victoria and are irrigated.

Tree numbers have been reduced in N.S.W. due to the removal of older canning varieties following the closure of the Letona cannery. The loss, and reworking, of traditional variety trees has been compensated for by the increase in the number of Nashi pear trees planted and an increase in new higher density plantings which bear earlier. Many of these varieties are aimed at the domestic fresh and higher quality export market.

A number of analysts have forecast that pear production will increase in the medium term. The majority of this increase will be diverted to the fresh market. Static domestic demand and strong competition on the export market are likely to see canned pear production and exports remain around current levels in the medium term.

Consumption

General

See Commodity Outlook, Consumption, Peaches.

Utilization Patterns

Apparent trends in domestic utilization of canned deciduous fruit, total consumption per person, are set out in the Commodity Outlook, Consumption, Utilization subsection, for Canned peaches.

The following table contains indicative grower prices in A\$/MT.

	1993	1994	1995	1996	1997 (s)	1998 (f)
Indicative Grower Price	267	275	258	261	282	278

(a) For financial year ending year shown. (s) Estimate. (f) Industry forecast.

SOURCE: ABARE Commodity Statistics Bulletin

Exchange Rate: US\$1 - A\$1.59 (3/8/99).

Trade

General

Import Trade Matrix			
Country:	Australia	Units:	MT
Commodity:	Canned Pears		
Time period:	Jan - Dec		
Imports for	1997		1998
U.S.	136	U.S.	139
Others		Others	
New Zealand	24	New Zealand	135
Belgium	1	Spain	2
Australia	1	The Netherlands	0.2
Total for Others	26		137.2
Others not listed			0.8
Grand Total	162		277

Export Trade Matrix			
Country:	Australia	Units:	MT
Commodity:	Canned Pears		
Time period:	Jan - Dec		
Exports for	1997		1998
U.S.	7988	U.S.	2967
Others		Others	
United Kingdom	6634	United Kingdom	7721
Japan	5373	Germany	5982
Canada	3589	Japan	5449
Germany	1984	Canada	2983
France	1833	France	1502
Norway	1189	Norway	1077
Denmark	1131	Denmark	974
Sweden	536	Finland	719
New Zealand	523	Sweden	656
Finland	355	New Zealand	637
Total for Others	23147		27700
Others not listed	1527		1593
Grand Total	32662		32260

Overall Trade Trends

Pear exports decreased by around one percent during CY 1998. Decreases occurred in exports to the U.S., and Canada, while exports increased to the UK and Germany.

Imports of canned pears increased during CY 1998 but remain at insignificant levels. This reflects Anti-Dumping actions taken by the Australian Anti-Dumping Authority (see Commodity Outlook, Marketing), Australian canners agreeing to produce for the generic market, and the low value of the Australian dollar. Most imports in recent years have been sold in the lower priced generic branded end of the market. The establishment of local generic brands, a stronger Australian economy and buyer resistance to imported product will limit future imports. The Australian Anti-Dumping Authority recently reviewed the anti-dumping duty that was imposed on pears imported from China and concluded that this duty should be removed. This however has not resulted in an increase in pear imports from China.

Imports from the US increased strongly, albeit from a low base, during CY 1997, and edged slightly higher again during CY 1998.

The major trade concern facing the Australian industry at present is the threat of a further erosion of its share of the Canadian market to the U.S. (See Canned Peaches, Commodity Outlook, Overall Trade Trends).

Policy

Tariff Changes

Imports of canned deciduous fruit are currently subject to a five percent ad valorem tariff rate.

Canned Mixtures

PSD Table			UNIT = MT			
Country:	Australia					
Commodity:	Canned Mixtures					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Deliv. To Processors	0	0	0	0	0	0
Beginning Stocks	2478	2478	2418	2894	0	1432
Production	29000	29000	30000	30000	0	30000
Imports	0	0	0	0	0	0
TOTAL SUPPLY	31478	31478	32418	32894	0	31432
Exports	13060	13584	13500	16462	0	15000
Domestic Consumption	16000	15000	16000	15000	0	15000
Ending Stocks	2418	2894	2918	1432	0	1432
TOTAL DISTRIBUTION	31478	31478	32418	32894	0	31432

Trade

General

Export Trade Matrix			
Country:	Australia	Units:	MT
Commodity:	Canned Mixtures		
Time period:	Jan - Dec		
Exports for	1997		1998
U.S.	151	U.S.	1045
Others		Others	
Canada	5127	Canada	4724
New Zealand	1609	New Zealand	2062
Japan	1184	Norway	1715
The Philippines	789	Japan	993
Sweden	712	Finland	910
Norway	635	Sweden	805
Singapore	456	Germany	644
United Arab Emirates	443	United Kingdom	587
United Kingdom	407	Singapore	423
Finland	384	United Arab Emirates	370
Total for Others	11746		13233
Others not listed	1687		2184
Grand Total	13584		16462

Canned Apricots

PSD Table			UNIT = MT			
Country:	Australia					
Commodity:	Canned Apricots					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Deliv. To Processors	6920	6920	7000	7000	0	9000
Beginning Stocks	414	414	414	428	0	1254
Production	9400	9400	9500	9500	0	10500
Imports	900	731	700	1599	0	500
TOTAL SUPPLY	10714	10545	10614	11527	0	12254
Exports	1800	2117	2200	2073	0	2500
Domestic Consumption	8500	8000	8200	8200	0	8400
Ending Stocks	414	428	214	1254	0	1354
TOTAL DISTRIBUTION	10714	10545	10614	11527	0	12254

Production

General

The cannery intake for the 1998 season is reported to be up on the level achieved during the 1997 year.

Production during the 1998 apricot season is forecast to be slightly reduced when compared to the previous season. Production in the Riverland region of South Australia is lower due to dry conditions and the removal of some trees. Industry sources report that trees have been removed in the Berrri/Renmark area of South Australia reducing overall apricot supply.

Around three quarters of Australia's apricots are processed. The drying industry appears to be under pressure due to reduced profitability. Older varieties have been replaced by winegrapes and newer apricot varieties. The newer varieties will take a number of years to reach maturity.

Production of apricots in the Goulburn Valley, i.e. the canning region, was reported to be close to the heaviest on record. The downside to the large crop was that the fruit was in general smaller than average. Cannery report that they have processed a record amount of apricots this year.

Policy

Tariff Changes

Imports of canned deciduous fruit are currently subject to a five percent ad valorem tariff rate.

Trade**General**

Import Trade Matrix			
Country:	Australia	Units:	MT
Commodity:	Canned Apricots		
Time period:	Jan - Dec		
Imports for	1997		1998
U.S.		U.S.	
Others		Others	
South Africa	377	South Africa	1126
Spain	133	Spain	419
Morocco	61	Morocco	21
Belgium	51	Greece	17
Greece	50	Turkey	10
New Zealand	33	Belgium	3
France	20	France	3
The Netherlands	4		
Turkey	1		
Total for Others	730		1599
Others not listed	1		
Grand Total	731		1599

Export Trade Matrix			
Country:	Australia	Units:	MT
Commodity:	Canned Apricots		
Time period:	Jan - Dec		
Exports for	1997		1998
U.S.	253	U.S.	23
Others		Others	
New Zealand	912	New Zealand	1125
France	305	Canada	273
Canada	229	France	170
United Kingdom	95	Norway	103
Singapore	73	Singapore	92
United Arab Emirates	60	United Kingdom	61
Japan	51	United Arab Emirates	54
Denmark	24	Finland	41
Indonesia	19	Japan	34
The Netherlands	17	Denmark	19
Total for Others	1785		1972
Others not listed	79		78
Grand Total	2117		2073

Overall Trade Trends

Canned apricot exports decreased by around two percent during CY 1998. Exports to New Zealand, Canada and Norway increased while exports to France and the US decreased. New Zealand was again the major export destination, taking over 54 percent of total exports, while Canada and France took 13 and eight percent respectively.

Imports of canned apricots increased during CY 1998. The major increase in imports being from South Africa and Spain.