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**Australia**

**Canned Deciduous Fruit**

**Annual**

**2000**

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**Report Highlights:**

**Australian production of canned peaches is forecast at 50,000 MT for CY 2000.**

**Production of canned pears is forecast at 51,000 MT, slightly lower than the production levels of CY 1999 due to unusual seasonal conditions.**

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Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Canberra [AS1], AS

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## Executive Summary

Growing conditions for the CY 2000 canning fruit crop has been described by industry sources as unusual. The end of the CY 1999 saw good flowering and fruit set due to good rains and favorable seasonal conditions. However, cooler conditions in January 2000 followed by very hot conditions in February resulted in an early harvest. Industry sources are concerned that canning varieties were adversely impacted, which could result in a lower in-factory yield.

Domestic consumption of canned fruit has been weak for a number of years due to Australians eating less desserts and younger consumers preference for fresh fruit. However canners appear to have successfully arrested the decline in domestic consumption (and now describe it as a growth market) by introducing product extensions that include the introduction of "snack packs".

Industry sources report a significant increase in planted fruit tree numbers. However it is not clear as to what proportion of new plantings are canning varieties. Post projects a steady increase in total canning variety tree numbers.

Cannery intake for peaches in CY 2000 year is estimated to be slightly lower than the previous season although harvest is not yet finished.

Exports of canned peaches for the 1999 CY increased by over 33 percent when compared to the level achieved during the previous year. Major export markets included Japan, Canada, New Zealand and the US.

According to the Australian Bureau of Statistics (ABS), imports of canned peaches decreased by 61 percent during 1999 with the main decrease coming from the US. Imports from most other countries also fell sharply. Industry is skeptical of these ABS figures.

Total Australian pear production during CY 2000 is forecast to be higher than in CY 1999 crop due to good flowering and fruit set. The Williams crop which is mainly used for canning is reported to have experienced an unusual season which will see production fall slightly in CY 2000.

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

Pear exports decreased by around 23% percent during CY 1999. Decreases occurred in exports to the U.S., UK, Germany and Japan, while exports to Canada increased. Industry sources describe the pear export market as an "opportunity market", only providing returns when there is a shortfall in world supply.

Imports from the US ceased during CY 1999, although industry sources believe import levels remain unchanged overall.

## Canned Peaches

PSD Table						
Country	Australia					
Commodity	Canned Peaches				(MT)(MT, Net Weight)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Deliv. To Processors	38325	38325	50913	50913	0	50000
Beginning Stocks	18367	18367	12808	12808	8808	8478
Production	32000	32000	40000	40000	0	37040
Imports	1675	1675	1000	695	0	700
TOTAL SUPPLY	52042	52042	53808	53503	8808	46218
Exports	11234	11234	15000	15025	0	15000
Domestic Consumption	28000	28000	30000	30000	0	30000
Ending Stocks	12808	12808	8808	8478	0	1218
TOTAL DISTRIBUTION	52042	52042	53808	53503	0	46218

## Production

### General

The total Australian deciduous fruit crop (including canned, fresh, etc) for the 2000 CY is forecast to be larger than the previous year. Fruit quality is reported to be good in the major producing regions of northern Victoria. However, less than favorable seasonal conditions have reportedly reduced the canning quality of the crop.

Growing conditions for the CY 2000 canning fruit crop has been described by industry sources as unusual. The end of the CY 1999 saw good flowering and fruit set due to good rains and favorable seasonal conditions. However, cooler conditions in January 2000 followed by very hot conditions in February resulted in an early harvest. Industry sources are concerned that this has had adverse impacts on canning varieties and could result in a lower in-factory yield.

Cannery intake for peaches in the CY 2000 year is estimated to be slightly lower than the previous season although harvest is not yet finished. 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. A lower Australian dollar has made the Australian industry more price competitive in recent years.

Industry sources report a significant increase in planted fruit tree numbers. However it is not clear as to what proportion of new plantings are canning varieties. Post projects a steady increase in total canning variety tree numbers.

The number of canning fruit growers has been falling for a number of years. However industry believes that the number of growers has stabilized around 450 in the past year.

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 and 90 percent of pears.

## Consumption

### General

Domestic consumption of canned fruit has been weak for a number of years due to Australians eating less desserts and younger consumers preference for fresh fruit. However the canners appear to have successfully arrested the decline in domestic consumption (and now describe it as a growth market) 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. Post estimates consumption of canned fruit to have grown modestly during CY 1999. Whether this growth is sustainable is yet to be seen.

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 desserts 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

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.

	1994	1995	1996	1997	1998 (s)	1999(f)
Indicative Grower Price	480	440	460	515	460	450

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

SOURCE: ABARE Commodity Statistics Bulletin

Prices quoted in \$A.

**Trade****General**

Import Trade Matrix			
Country	Australia		
Commodity	Canned Peaches		
Time period	Jan - Dec	Units:	MT
Imports for:	1998		1999
U.S.	362	U.S.	1
Others		Others	
Greece	1012	Greece	411
Australia	163	New Zealand	135
New Zealand	128	Australia	101
Italy	7	Italy	30
France	2	China	13
Chile	1	France	1
		South Africa	1
		The Netherlands	1
		Spain	1
Total for Others	1313		694
Others not Listed			
Grand Total	1675		695

Export Trade Matrix			
Country	Australia		
Commodity	Canned Peaches		
Time period	Jan -Dec	Units:	MT
Exports for:	1998		1999
U.S.	1218	U.S.	2127
Others		Others	
Japan	3057	Japan	3950
Canada	2149	Canada	2848
New Zealand	1842	New Zealand	2587
Singapore	594	United Kingdom	568
Brazil	376	Malaysia	541
Germany	264	Singapore	506
Taiwan	223	UAE	225
UAE	192	Switzerland	209
Malaysia	192	Norway	200
United Kingdom	152	The Philippines	160
Total for Others	9041		11794
Others not Listed	975		1104
Grand Total	11234		15025

### Overall Trade Trends

Exports of canned peaches for CY 1999 increased by over 33 percent 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 Japan, Canada, New Zealand and the US.

One of the major continuing trade concerns facing the Australian industry is the threat of market share erosion in the Canadian market as a result of the Free Trade Agreement between Canada and the U.S. In this agreement, 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. This issue continues to be an irritant in trade relations between the two countries. Traditionally around one third of Australia's exports have gone to Canada.



According to the Australian Bureau of Statistics (ABS), imports of canned peaches decreased by 61 percent during CY 1999 with the main decrease coming from the US. Imports from most other countries also fell sharply although industry remains skeptical of these figures. 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), the success of new product initiatives, Australian canners agreeing to the production of generic product, 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, innovative marketing, the above mentioned 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						
Country	Australia					
Commodity	Canned Pears				(MT)(MT, Net Weight)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Deliv. To Processors	54000	51700	55347	55347	55347	51000
Beginning Stocks	11169	11169	6369	4786	9069	7486
Production	40000	38300	41000	41000	41000	37780
Imports	200	277	200	155	200	155
TOTAL SUPPLY	51369	49746	47569	45941	50269	45421
Exports	32000	32260	25000	24955	25000	25000
Domestic Consumption	13000	12700	13500	13500	13500	14750
Ending Stocks	6369	4786	9069	7486	7486	5671
TOTAL DISTRIBUTION	51369	49746	47569	45941	45986	45421

## Production

### General

Total Australian pear production during CY 2000 is forecast to be higher in CY 1999 crop due to good flowering and fruit set. The Williams crop which is mainly used for canning is reported to have experienced an unusual season which will see production fall slightly. However 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.

Growing conditions for the CY 2000 canning fruit crop has been described by industry sources as unusual. The end of the CY 1999 saw good flowering and fruit set due to good rains and favorable seasonal conditions. However, cooler conditions in January 2000 followed by very hot conditions in February resulted in an early harvest. Industry sources are concerned that this has had adverse impacts on canning varieties and could result in a lower in factory yield.

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.

Industry sources report a significant increase in planted fruit tree numbers. However it is not clear what proportion of new plantings are canning varieties. Post assumes a steady increase in total canning variety tree numbers.

## 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.

	1994	1995	1996	1997	1998 (s)	1999 (f)
Indicative Grower Price	275	258	261	282	278	285

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

SOURCE: ABARE Commodity Statistics Bulletin

Prices quoted in \$A.

## Trade

### General

Import Trade Matrix			
Country	Australia		
Commodity	Canned Pears		
Time period	Jan - Dec	Units:	MT
Imports for:	1998		1999
U.S.	139	U.S.	
Others		Others	
New Zealand	135	New Zealand	116
Spain	2	Australia	17
		China	16
		Spain	3
		The Netherlands	1
		South Africa	1
		Greece	1
Total for Others	137		155
Others not Listed	1		
Grand Total	277		155

Export Trade Matrix			
Country	Australia		
Commodity	Canned Pears		
Time period	Jan - Dec	Units:	MT
Exports for:	1998		1999
U.S.	2967	U.S.	844
Others		Others	
United Kingdom	7721	United Kingdom	7125
Germany	5982	Japan	4536
Japan	5449	Canada	3698
Canada	2983	Germany	2156
France	1502	Norway	1083
Norway	1077	Denmark	813
Denmark	974	New Zealand	645
Finland	719	Sweden	629
Sweden	656	The Netherlands	495
New Zealand	637	Finland	403
Total for Others	27700		21583
Others not Listed	1593		2252
Grand Total	32260		24679

### Overall Trade Trends

Pear exports decreased by around 23% percent during CY 1999 when compared to the previous year. Decreases occurred in exports to the U.S., UK, Germany and Japan, while exports to Canada increased. Industry sources describe the pear export market as an "opportunity market", only providing returns when there is a shortfall in world supply.

Imports of canned pears also decreased in CY 1999 when compared to the previous year. This reflects Anti-Dumping actions taken by the Australian Anti-Dumping Authority (see Commodity Outlook, Marketing), the success of innovative domestic 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 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.

ABS data shows that Imports from the US ceased during CY 1999. Industry sources believe import levels from the US remain unchanged.

The major trade concern facing the Australian industry at present is the threat of a further erosion of market share in Canada 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.