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Australia

Citrus

Citrus Annual

1999

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Report Highlights:
Orange production and exports set to increase.
Production of citrus for the fresh domestic and export market continues to increase.
Production of fresh orange juice increases at the expense of concentrate.
Concentrate imports continue at high levels.

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

Executive Summary

Total orange production during the 1998-99 season is estimated by Australian Citrus Growers Incorporated (ACGI) to have been around 24 percent lower than in the previous year due in part to unfavorable seasonal conditions in some areas. While the crop was lighter than normal the larger than normal fruit size and good quality fruit achieved good prices on both the export and domestic markets. During 1998-99 valencia production fell by 76,000 MT or 21 percent while navel production decreased by 59,000 MT or 29 percent.

Favorable growing conditions during the 1999-2000 season are expected to result in the orange crop rebounding by a forecast 24 percent. The crop is reported to be of good quality and comprises a good range of fruit sizes. The Australian industry expects an increase in exports, especially to Asian markets, following the frost problems experienced in California. The ACGI forecasts that during 1999-2000 valencia production will increase by 19 percent while navel production will increase by 36 percent.

The varietal mix of orange production continues to change reflecting the relative profitability of individual orange varieties. Over the past ten years tree numbers have increased. The number of navel trees continues to increase while the number of valencia trees has decreased. The ACGI indicates that up to one million valencia trees have been removed.

Orange exports increased from 45,000 MT during 1990-91 to 113,000 during 1997-98. A smaller crop and sluggish demand in Asian markets has resulted in exports during 1998-99 being forecast to fall to 109,000 MT.

The majority of fresh orange exports are destined for South East Asian markets. During 1997-98 exports to Malaysia, Singapore and Hong Kong, Indonesia and Japan accounted for over 70 percent of Australian orange exports. Exports to the U.S. have increased strongly in recent years becoming the most important destination in both volume and value during the 1998-99 marketing year.

Orange juice production during 1998-99 is estimated to have fallen sharply due to a reduction in orange production. Low relative prices for concentrate production in recent years has led to an increasing percentage of the crop being directed to the fresh market, both domestic and export. The more profitable fresh juice market has attracted more fruit in recent years. The reduction in the production of concentrate has been exacerbated by the removal of around one million valencia trees since the 1994-95 year.

The forecast return to an average season in 1999-2000 will result in more fruit being used for processing. While the higher priced "fresh" juice segment of the market will be supplied first improved international FCOJ prices, and a larger crop, will increase supplies of product for the concentrate sector. This will result in a reduction of FCOJ imports during the 1999-2000 year.

Fresh Oranges

PSD Table						
Country	Australia					
Commodity	Fresh Oranges				(HECTARES)(1000 TREES)(1000 MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		04/1997		04/1998		04/1999
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Bearing Trees	6214	6214	6500	6337	0	6450
Non-Bearing Trees	1512	1512	1500	1150	0	1150
TOTAL No. Of Trees	7726	7726	8000	7487	0	7600
Production	559	556	369	421	0	524
Imports	12	12	15	10	0	10
TOTAL SUPPLY	571	568	384	431	0	534
Exports	114	113	85	109	0	125
Fresh Dom. Consumption	190	190	129	130	0	179
Processing	267	265	170	192	0	230
TOTAL DISTRIBUTION	571	568	384	431	0	534

Production

General

Total orange production during the 1998-99 season is estimated by ACGI to have been around 24 percent lower than in the previous year due in part to unfavorable seasonal conditions in some areas. While the crop was lighter than normal the larger than normal fruit size and good quality fruit achieved good prices on both the export and domestic markets. During 1998-99 valencia production fell by 76,000 MT or 21 percent while navel production increased by 59,000 MT or 29 percent.

Favorable growing conditions during the 1999-2000 season is expected to result in the orange crop rebounding by a forecast 24 percent. The crop is reported to be of good quality and comprises a good range of fruit sizes. The Australian industry expects an increase in exports, especially to Asian markets, following the frost problems experienced in California. The ACGI forecasts that during 1999-2000 valencia production will increase by 19 percent while navel production will increase by 36 percent.

The varietal mix of orange production continues to change reflecting the relative profitability of individual orange varieties. Over the past ten years tree numbers have increased. The number of navel trees continues to increase while the number of valencia trees has decreased. The ACGI indicates that up to one million valencia trees have been removed.

The decrease in valencia plantings reflects the variety's reliance on the lower returning processing sector. Navel plantings have increased strongly which has resulted in more fruit being diverted to the fresh domestic and export markets. The development and growth of new navel varieties that extend the Australian navel season have the potential to displace some California sourced imports. The increase in consumption of “fresh” single strength juice will help to stabilize valencia tree numbers.

The increase in the size of the current crop is expected to see prices decrease on the domestic market and will result in more processing fruit available for the production of concentrate. As supply and demand become more into balance i.e. valencia production falls and navel production increases, profitability is expected to improve.

Bearing valencia trees currently account for around 61 percent of total Australian bearing citrus trees, while navels account for the vast majority of the remainder. Of the non bearing trees 81 percent are navels and 16 percent are valencias. This clearly suggests that in the medium term valencia production will fall or remain static while navel production will continue to increase.

Weather

Favorable growing conditions in many areas during the 1999-2000 season are forecast to help increase the size of the orange crop.

Consumption

General

Apparent per capita consumption of citrus, including juice, has steadily risen from an estimated 14.5 kg in 1938-39 to the latest recorded figure (ABS Catalog No. 4306.0) of 44.5 kg in 1996-97.

The Australian Horticultural Corporation (AHC) has been attempting to increase consumption of citrus on both the domestic and export markets (see Commodity Outlook, Marketing).

Utilization Patterns

Valencia processing prices during the 1998-99 season were substantially higher than achieved during the previous season. This increase resulted from an increase in international prices for FCOJ and a decrease in local supply due to the smaller crop.

The larger crop in the 1999-2000 season will put downward pressure on prices. However, improved processing returns and continued strong export demand should limit the price decrease. Larger supplies for the FCOJ sector should see FCOJ imports fall during the 1999-2000 year.

Marketing

Competitive Activities

The priorities established by the citrus industry for the AHC to pursue are:

- Export development and promotion of oranges;
- Management of programs for the Citrus Marketing Development Group (CMDG); and
- Domestic promotion of “100 percent Australian Orange Juice”.

In recent years domestic promotional activity has been centered on the promotion of the “100 percent Australian Orange Juice” campaign. The continued strategic objective of this promotion is to increase awareness of the logo and to make it easier to identify and choose daily squeezed juice. The main components have been: a public relations campaign involving endorsements by leading sporting personalities; a research study into the drinking habits of young Australians; media briefings; and a tour by journalists to a citrus growing area.

The export promotion campaign for 1997-98 covered the established markets of Singapore, Malaysia, Indonesia, New Zealand and the United States, and the new and developing markets of Hong Kong, Taiwan and Japan. Activity focused on retail promotions with strong use of point of sale material. The campaign used the umbrella brand “Australia Fresh” . The “Australia Fresh” brand attempts to identify the product as being Australian grown and superior in quality and taste.

The AHC has continued it’s involvement in the Horticultural Industry Marketing Access Committee, providing both the chair and the secretariat. This committee sets priorities for either opening or improving access for citrus to the following markets: Japan, Republic of Korea, China, Taiwan, Thailand, and the Philippines. During 1997 a 600 MT quota was successfully negotiated with Taiwan, and in April 1999 agreement was reached with Japan regarding the importation of mandarins. The industry is hopeful of a breakthrough with Korea in the next 12 months.

Trade

Import Trade Matrix			
Country	Australia		
Commodity	Fresh Oranges		
Time period	Apr - Mar	Units:	MT
Imports for:	1997		1998
U.S.	12059	U.S.	6724
Others		Others	
		Spain	323
		Australia	1
		Syria	1
Total for Others	0		325
Others not Listed			1
Grand Total	12059		7050

Export Trade Matrix			
Country	Australia		
Commodity	Fresh Oranges		
Time period	Apr - Mar	Units:	MT
Exports for:	1997		1998
U.S.	14660	U.S.	26006
Others		Others	
Malaysia	35643	Hong Kong	22368
Singapore	21141	Malaysia	19914
Hong Kong	11723	Singapore	17134
Japan	7290	New Zealand	6615
New Zealand	6675	Japan	6602
Indonesia	6151	Indonesia	1869
The Philippines	2448	United Kingdom	1639
Mauritius	1064	Vietnam	1236
Thailand	713	Canada	627
Fiji	657	Taiwan	621
Total for Others	93505		78625
Others not Listed	4633		3560
Grand Total	112798		108191

General

Orange exports increased from 45,000 MT during 1990-91 to 113,000 during 1997-98. A smaller crop and sluggish demand in Asian markets has resulted in exports during 1998-99 being forecast to fall to 109,000 MT.

The majority of fresh orange exports are destined for South East Asian markets. During 1997-98 exports to Malaysia, Singapore and Hong Kong, Indonesia and Japan accounted for over 70 percent of Australian orange exports. Exports to the U.S. have increased strongly in recent years becoming the most important destination in both volume and value during the 1998-99 marketing year.

The first commercial shipments of 127,000 cartons (2,540 MT) of navel oranges arrived in the U.S. in June/July 1992, i.e. the U.S. off season. The large increase in 1998-99 was assisted by a poor US navel crop and the unseasonal availability of large local fruit. While exports to Asian markets in 1999-2000 seem likely to increase, exports to the US may fall if suitable size and quality fruit is not available. The industry is currently preparing for the new export season to the US and is confident that the export volume will be similar to the 1998-99 season.

Australian orange exports peak from June through November, while imports peak from December through April.

Orange imports are dominated by the US and arrive during the Australian off season for navel oranges.

The ACGI has negotiated a marketing arrangement where Riverland packers have united under the Riversun banner to support the AHC's appointment of Florida based DNE World Fruit Sales as it’s sole importer. Exports have since been approved from the Riverina and Sunraysia areas. Exports from Sunraysia currently need to be treated using in transit cold disinfestation for fruit fly due to the loss of fruit fly free area status. All exports will be covered under the Riversun export program. Packing commences in May for the Riverland with the Sunraysia and Riverina following soon after. Citrus that arrives outside the period from July 1 to August 31 each year requires an out turn of less than 0.5 percent decay to avoid total repack.

Recently a small exporter challenged the single importer status accorded to DNE. A decision on this dispute is expected to be released by the end of May 1999.

Policy

General

The GOA implemented a A$9 million dollar market diversification program during 1994-95. This was subsequently reduced to A$8.4 million. The package provides assistance to reduce the reliance on the juice concentrate sector and to increase sales of fresh fruit and fresh fruit juice, with a focus on exports. Projects which have been approved include fruit fly disinfestation research, export promotion, a relaunching of the fresh orange juice campaign, new licensing arrangements for Australian orange exports to Thailand, plans to improve citrus exports to the U.S., demonstrating the benefits of new varieties to growers, Integrated Pest Management (IPM) strategies for the control of pests, market intelligence, etc.

The package was for five years and ends on June 30, 1999. The GOA has stated that this funding will not be continued beyond 1999.

Fresh Lemons

PSD Table						
Country	Australia					
Commodity	Fresh Lemons				(HECTARES)(1000 TREES)(1000 MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		04/1997		04/1998		04/1999
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Bearing Trees	233	233	240	216	0	228
Non-Bearing Trees	97	97	90	92	0	80
TOTAL No. Of Trees	330	330	330	308	0	308
Production	38	35	39	30	0	31
Imports	3	3	3	2	0	3
TOTAL SUPPLY	41	38	42	32	0	34
Exports	4	4	4	4	0	4
Fresh Dom. Consumption	19	17	20	14	0	15
Processing	18	17	18	14	0	15
TOTAL DISTRIBUTION	41	38	42	32	0	34

Production

General

Lemon production is relatively widespread in Australia with the Riverland area of South Australia having over 35 percent of total bearing trees. Sunraysia/mid Murray has 28 percent, with Queensland having 24 percent. Interestingly Queensland has 55 percent of total non-bearing trees in Australia. The main lemon crop is in the winter-spring period with selective harvesting of the N.S.W. crop beginning in May, for the fresh market, and June for processing lemons. Australia is not a large consumer of fresh lemons and as such most of the peak winter production is processed. Dry coastal conditions produce good summer lemons and command a price premium on the fresh market at that time.

Australian lemon production peaked at 47,000 MT in 1984-85. The ACGI forecast that production has currently plateaued around 30,000 MT. Lemons, like grapefruit, have experienced cyclical production levels, i.e. when prices are high, more trees are planted and when this supply reaches the market, prices are depressed and farmers pull trees out.

Trade

Import Trade Matrix			
Country	Australia		
Commodity	Fresh Lemons		
Time period	Apr - Mar	Units:	MT
Imports for:	1997		1998
U.S.	3006	U.S.	2063
Others		Others	
Iran	5	Iran	3
		New Zealand	1
Total for Others	5		4
Others not Listed	1		1
Grand Total	3012		2068

Export Trade Matrix			
Country	Australia		
Commodity	Fresh Lemons		
Time period	Apr - Mar	Units:	MT
Exports for:	1997		1998
U.S.		U.S.	
Others		Others	
Japan	2401	Japan	2697
Hong Kong	546	Singapore	472
Singapore	471	Hong Kong	457
Malaysia	89	Malaysia	80
Indonesia	55	Indonesia	43
Russia	31	New Zealand	22
New Zealand	17	Brunei	20
Rep. of Korea	14	Russia	10
The Philippines	12	United Arab Em.	9
Brunei	12	Taiwan	1
Total for Others	3648		3811
Others not Listed	28		
Grand Total	3676		3811

General

Lemon exports are forecast to increase marginally during 1998-99, with the major markets being Japan, Hong Kong, and Singapore. Australian lemon imports are forecast to have decreased during 1998-99, with the US remaining the major supplier.

Lemon imports are concentrated in the December to February period.

Juice, Orange

PSD Table						
Country	Australia				Degrees Brix	
Commodity	Juice, Orange				(MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		07/1997		07/1998		07/1999
Deliv. To Processors	267000	265000	170000	192000	0	230000
Beginning Stocks	16656	16656	16553	16474	0	14682
Production	20397	20300	12987	14708	0	17619
Imports	25000	26184	31000	30000	0	28000
TOTAL SUPPLY	62053	63140	60540	61182	0	60301
Exports	1500	1666	1000	1500	0	1500
Domestic Consumption	44000	45000	43000	45000	0	45000
Ending Stocks	16553	16474	16540	14682	0	13801
TOTAL DISTRIBUTION	62053	63140	60540	61182	0	60301

Production

General

The citrus processing sector has historically received high levels of assistance. This resulted in resources being attracted away from more efficient areas of production and led to large plantings of valencia trees. Government policy to expose industry to market forces has resulted in a steady decline in assistance. The industry is now largely deregulated . This has resulted in substantial changes to the citrus industry including a much greater focus on export markets and higher returning sectors of the domestic market.

Orange juice production during 1998-99 is estimated to have fallen sharply due to a reduction in orange production. Low relative prices for concentrate production in recent years has led to an increasing percentage of the crop being directed to the fresh market, both domestic and export. The more profitable fresh juice market has attracted more fruit in recent years. The reduction in the production of concentrate has been exacerbated by the removal of around one million valencia trees since the 1994-95 year.

The forecast return to an average season in 1999-2000 will result in more fruit being used for processing. While higher priced “fresh” juice segment of the market will be supplied first improved international FCOJ prices, and a larger crop, will increase supplies of product for the concentrate sector. This will result in a reduction of FCOJ imports during the 1999-2000 year.

In the medium term the growth in the single strength "fresh" orange juice market means that this product will attract a large percentage of the fruit available for juicing. The demand for this product has been enhanced by the fact that processors have negotiated fixed price contacts with some growers for the “fresh” juice market. In the medium term lower quality product will continue to be imported to satisfy consumer demand for a cheaper product.

Consumption

General

Current legislation states that fruit juice from any source with a juice content of over 25 percent attracts a sales tax of 12 percent and 21 percent if the juice content is less than 25 percent.

The GOA recently announced changes to legislation designed to strengthen labeling laws. It aims to increase the Government's power to stop companies misusing the "Made in Australia" label, and to reinforce the "Product of Australia" description. This is aimed at stopping such things as imported FCOJ being reconstituted and then labeled as "Made in Australia".

The general test for the "Made in Australia" label is that the goods have been substantially transformed and that 50 percent or more of the cost of production or manufacturing of the goods is attributable to production or manufacturing processes in Australia.

The general test for the "Product of Australia" label is that each significant ingredient or significant component of the good and all, or virtually all, processes involved in the production or manufacture must take place in Australia.

The legislation also regulates the use of a logo that may indicate the country of origin of the product.

Prices

Australian valencia processing prices for the 1998/99 season improved due to a reduction in orange supply and an increase in the international FCOJ prices. The Australian price has increased in recent times due to the depreciation of the Australian dollar.

The forecast increase in supply during the 1999-2000 year will see prices for processing fruit fall.

Trade

Import Trade Matrix			
Country	Australia		
Commodity	Juice, Orange		
Time period	July - Jun	Units:	MT
Imports for:	1997		1998
U.S.	688	U.S.	3449
Others		Others	
Brazil	23676	Brazil	19264
The Netherlands	1322	The Netherlands	2143
British Virgin Isl.	173	Pakistan	253
Cuba	125	South Africa	241
Belgium	77	Belgium	57
New Zealand	65	Argentina	37
Australia	38	Cuba	26
Spain	10	New Zealand	6
United Kingdom	4	Australia	5
Portugal	2	Spain	4
Total for Others	25492		22036
Others not Listed	4		10
Grand Total	26184		25495

Export Trade Matrix			
Country	Australia		
Commodity	Juice, Orange		
Time period	July - Jun	Units:	MT
Exports for:	1997		1998
U.S.	0	U.S.	3
Others		Others	
New Zealand	355	New Zealand	225
Japan	282	Hong Kong	181
Hong Kong	216	Japan	147
Malaysia	137	Indonesia	114
Singapore	132	Singapore	94
China	93	Malaysia	51
Indonesia	76	Thailand	44
Thailand	66	The Philippines	42
The Philippines	58	New Caledonia	31
New Caledonia	48	China	25
Total for Others	1463		954
Others not Listed	203		147
Grand Total	1666		1104

General

Orange juice imports have increased during 1998/99. This reflects the light crop. The forecast larger 1999-2000 crop will result in a decrease in imports.

In the medium-term the reduction in the numbers of bearing valencia trees, the increase in navel production, and the increase in processing fruit diverted to fresh juice production is likely to see concentrated juice production from valencia oranges decrease and imports of FCOJ remain at a relatively high level.

Orange juice imports are higher during June through to February with November and December being peak months.

In 1988-89 an ad valorem tariff of 35 percent was implemented. This was gradually reduced to the current five percent on July 1, 1996.

Policy

General

The processing sector has been stimulated recently by an increase in fresh juice production. The push into fresh juice production has been bolstered by the development of a "100% Australian Juice" logo by the ACGI in conjunction with the AHC and major juice marketers. The distinctive orange squeezer logo means that the juice contains no concentrate, no artificial coloring, no added water, and no imported product. The advertising campaign, has included television and newspaper coverage. Seven juice companies, including the three major juice companies, representing 80 percent of the fresh juice industry, are licensed by the AHC to use the logo.

The Australian Government provided funds for the development and promotion of a fresh juice campaign. This formed part of the diversification program (see Fresh Oranges, Commodity Outlook, Policy, General) which encouraged growers to produce fresh juice rather than concentrate.