Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Required Report - public distribution

Date: 5/1/2001

GAIN Report #AS1013

Australia

Citrus

Annual

2001

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Report Highlights:
Total orange production during 2000/01 is estimated at around 616,000 MT and orange production for 2001/02 is forecast at 428,000 MT, an expected fall of around a third. Industry sources anticipate dramatically improved quality with the smaller crop expected to produce larger fruit suitable for export. Production of orange juice for 2001/02 is forecast at 13,000 MT, representing a decrease of 43 percent on the previous year.

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

Executive Summary

Total orange production for 2001/02 is forecast at 428,000 MT, representing a fall of 31 percent on the previous year. Industry sources believe this fall in production is due to a return to normal weather conditions and will result in a more "manageable" level of production. However, industry sources anticipate dramatically improved quality with the smaller crop expected to produce larger fruit suitable for export to the US. A lack of wind and drier conditions has prevented rind damage through abrasion or insect pressure, generally improving the appearance of the fruit. Furthermore, Quality Assurance measures enforced by packing sheds have changed cultural practices aimed at preventing rind breakdown in exported fruit.

Navel production for 2001/02 is forecast to fall 25 percent to 186,000 MT, however with quality an industry priority, increased fruit size has lifted expectations for export performance. Valencia production is forecast to fall 34 percent to 242,000 MT. Industry reports state that if this forecast is realized, it would be the lowest production level for 20 years. Industry sources are concerned at the rate at which Valencia trees are being removed.

Post expects total tree numbers to continue to fall, however this decline is expected to slow significantly over the medium term.

Industry sources anticipate higher prices for 2001/02 as general crop quality improves for both Valencias and Navels. Prices are expected to be further boosted by a smaller crop effectively restricting supply on the domestic fresh market.

Orange exports increased from 45,000 MT during 1990-91 to 111,235 MT during 1999/2000. According to official ABS figures, four out of Australia's top five export markets are in Asia and accounted for 66 percent of total exports during this period. Exports for the first 11 months of the 2000/01 marketing year are already 25 percent higher than 1999/2000. The USA was the third largest (largest in 1999) export destination in 2000/01 despite the difficult export campaign, receiving 23,188 MT. The lower value of the Australian dollar is expected to improve returns for exports to the US in 2001/02.

Industry sources anticipate excellent export prospects in 2001/02 due to the improved quality of the crop and the low value of the Australian dollar. Australian orange exports peak from June through November, while imports peak from December through April.

Production of orange juice for 2001/02 is forecast at 13,000 MT, representing a decrease of 43 percent on the previous year. The dramatic fall in production is expected as result of generally decreased citrus production, particularly Valencias, and a general increase in fruit quality making a higher percentage of oranges suitable for the higher return local fresh market or premium export markets. In particular, an increased level of fruit without marking or discoloration on the rind will also act to reduce delivery to processors. Delivery to processors for 2001/02 is forecast at 170,000 MT, down from the 300,000 MT achieved the previous year.

Fresh Oranges

PSD Table						
Country	Australia					
Commodity	Fresh Oranges				(HECTARES)(1000 TREES)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		04/1999		04/2000		04/2001
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Bearing Trees	6450	6250	6600	6177	0	6150
Non-Bearing Trees	1150	1150	1150	965	0	900
TOTAL No. Of Trees	7600	7400	7750	7142	0	7050
Production	515	515	600	616	0	428
Imports	13	13	10	11	0	13
TOTAL SUPPLY	528	528	610	627	0	441
Exports	110	111	142	139	0	91
Fresh Dom. Consumption	188	188	188	188	0	180
Processing	230	229	280	300	0	170
TOTAL DISTRIBUTION	528	528	610	627	0	441

Production

General

Total orange production during 2000/01 is estimated by the Australian Citrus Growers Inc. (ACGI) at around 616,000 MT, a 20 percent increase on the level reported by the ACGI for the previous year. This crop suffered from a condition described by industry sources as "rind breakdown". This condition particularly affected exports fruit which deteriorated during shipment with some shipments having to be repacked upon arriving in the US. Industry sources are not agreed on the reasons for this, but there seems to be a general understanding that the crop matured earlier than normal and had aged slightly before it left port. This theory is supported by the fact that a higher percentage of fruit had to be repacked in the later shipments.

Total orange production for 2001/02 is forecast at 428,000 MT, representing a fall of 31 percent on the previous year. Industry sources believe this fall in production is due to a return to normal weather conditions and will result in a more "manageable" level of production. However, industry sources anticipate dramatically improved quality with the smaller crop expected to produce larger fruit suitable for export to the US. A lack of wind and drier conditions has prevented rind damage through abrasion or insect pressure, generally improving the appearance of the fruit. Furthermore, Quality Assurance measures enforced by packing sheds have changed cultural practices aimed at preventing rind breakdown in exported fruit.

Navel production for 2001/02 is forecast to fall 25 percent to 186,000 MT, however with quality an industry priority, increased fruit size has lifted expectations for export performance. Valencia production is forecast to fall 34 percent to 242,000 MT. Industry reports state that if this forecast is realized, it would be the lowest production level for 20 years. Industry sources are concerned at the rate at which Valencia trees are being removed.

Industry does not publish tree numbers annually and so post must estimate the numbers. However, industry recently published tree numbers for 2001 with a comparison to 1995. These figures put the total number of Valencia trees (bearing and non bearing) for 2000/01 at 4.9 million, representing a fall of around 23 percent on the figure quoted for 1995/96. Conversely, total Navel tree numbers have increased seven percent over the same period indicating a large shift away from Valencia production toward Navel production. A significant proportion of the area retired from production of Valencias has been moved into grape production.

Post expects total tree numbers to continue to fall, however this decline is expected to slow significantly over the medium term.

Weather

A return to normal weather conditions in many areas during the 2001/2002 season is expected to reduce the size of the crop. This follows climatic conditions that produced an unusually large crop in 2000/01.

Consumption

General

According to the latest ABS data, citrus consumption per capita increased from 39.1 kilograms in 1988/89 to 56.4 kilograms in 1998/99.

Utilization Patterns

Industry sources anticipate higher prices for 2001/02 as general crop quality improves for both Valencias and Navels. Prices are expected to be further boosted by a smaller crop effectively restricting supply on the domestic fresh market.

Post anticipates a dramatic reduction in deliveries to processors for juice production in 2001/02, as both a smaller crop and increased quality restrict the supply of oranges suitable for juicing.

Marketing

Previously, the two major horticultural organizations in Australia were the Horticultural Research and Development Corporation (HRDC) and the Australian Horticultural Corporation (AHC). The HRDC was responsible for research and development and the AHC was responsible for promotional activities. Both organizations were funded by levies paid by growers and received pro rata government funding for specific purposes such as research and development to a maximum of 0.5 percent of the gross value of industry production. In 1998/99, the total amount of government funding was A$15.2 million.

In CY 2000, the Government of Australia reviewed the legislation pertaining to these bodies and with industry support merged both organizations into one.

Horticulture Australia Ltd. (HAL) is the new organization that replaced the AHC and HRDC on January 1, 2001. This was established under corporations law as a not-for-personal-profit company in accordance with the Memorandum of Understanding (MOU) signed by 26 industry organizations. The focus of the new company is the continued marketing and promotion of horticultural products in both domestic and export markets as well as the exploitation of the opportunities for uptake and commercialization of new technology.

Trade

Import Trade Matrix			
Country	Australia		
Commodity	Fresh Oranges		
Time period	Yr End Mar	Units:	MT
Imports for:	2000		2001
U.S.	9930	U.S.	8795
Others		Others	
Spain	2433	Spain	1650
Israel	317	Thailand	1
Total for Others	2750		1651
Others not Listed			62
Grand Total	12680		10508

NB. 2001 figures are for the 11 month period April 2000 to February 2001.

Export Trade Matrix			
Country	Australia		
Commodity	Fresh Oranges		
Time period	Yr End Mar	Units:	MT
Exports for:	2000		2001
U.S.	22479	U.S.	23188
Others		Others	
Malaysia	24186	Hong Kong	40095
Hong Kong	22214	Malaysia	30353
Singapore	16705	Singapore	14492
Japan	10504	New Zealand	6796
New Zealand	4715	Japan	6551
Indonesia	2303	Indonesia	4125
United Kingdom	1373	China	3474
Sri Lanka	881	United Kingdom	2490
Polynesia	827	Rep of Korea	1245
Taiwan	635	Sri Lanka	689
Total for Others	84343		110310
Others not Listed	4413		6010
Grand Total	111235		139508

NB. 2001 figures are for the 11 month period April 2000 to February 2001.

General

Orange exports increased from 45,000 MT during 1990-91 to 111,235 MT during 1999/2000. According to official ABS figures, four out of Australia's top five export markets are in Asia and accounted for 66 percent of total exports during this period. Exports for the first 11 months of the 2000/01 marketing year are already 25 percent higher than 1999/2000. The USA was the third largest (largest in 1999) export destination in 2000/01 despite the difficult export campaign, receiving 23,188 MT. The lower value of the Australian dollar is expected to improve returns for exports to the US in 2001/02.

Industry sources anticipate excellent export prospects in 2001/02 due to the improved quality of the crop and the low value of the Australian dollar. Australian orange exports peak from June through November, while imports peak from December through April.

Policy

General

The Government of Australia implemented a new tax system on July 1, 2000. This system replaced a range of taxes, most importantly the wholesale sales tax (WST), with a single Goods and Services Tax (GST) of 10 percent applying to all goods and services with some exemptions.

One of the major product groups to be exempt from the GST is food, including all fresh fruit. Convenience foods such as confectionary that have provided an alternative to fresh fruit in the past are now subject to a 10 percent tax.

Under Federal Government National Competition Policy (NCP), legislation pertaining to Statutory Authorities is being reviewed to determine whether net public benefit is provided.

The Australian citrus industry, like many other agricultural industries in Australia, has statutory organizations that collect levies compulsorily and provide generic promotion and research and development. Under NCP, these organizations will be reviewed and could potentially be significantly changed or even disbanded.

Juice, Orange

PSD Table						
Country	Australia				Degrees Brix	
Commodity	Juice, Orange				(MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Deliv. To Processors	230	229	280	300	0	170
Beginning Stocks	27671	27671	23809	20181	11809	17182
Production	17619	17619	22000	23000	0	13000
Imports	25447	22508	14000	22402	0	28000
TOTAL SUPPLY	70737	67798	59809	65583	11809	58182
Exports	1928	2617	2000	2401	0	2000
Domestic Consumption	45000	45000	46000	46000	0	46000
Ending Stocks	23809	20181	11809	17182	0	10182
TOTAL DISTRIBUTION	70737	67798	59809	65583	0	58182

Production

General

Production of orange juice in 2000/01 increased by 30 percent to 23,000 MT. An unusually large crop and a higher percentage of lower quality fruit, together with lower prices dramatically increased the availability of oranges suitable for processing. Delivery to processors increased to 300,000 MT in 2000/01, up from only 229,000 MT in the previous year.

Production of orange juice for 2001/02 is forecast at 13,000 MT, representing a decrease of 43 percent on the previous year. The dramatic fall in production is expected as result of generally decreased citrus production, particularly Valencias, and a general increase in fruit quality making a higher percentage of oranges suitable for the higher return local fresh market or premium export markets. In particular, an increased level of fruit without marking or discoloration on the rind will also act to reduce delivery to processors. Delivery to processors for 2001/02 is forecast at 170,000 MT, down from the 300,000 MT achieved the previous year.

Consumption

General

Post forecasts orange juice consumption at 46,000 MT for 2000/2001, consistent with the official ABS figures.

On July 1, 2000, the GOA introduced a goods and services tax (GST). The GST is charged at 10 percent for all goods with an exemption for fresh food. Under the GST, all orange juice containing more than 90 percent orange juice will be exempt from the GST effectively making it tax free. All other orange juice will be taxed at 10%, lowering the overall level of tax significantly.

In 1999, the GOA announced changes to legislation designed to strengthen labeling laws. The goal of the legislation is to prevent companies from misusing the “Made in Australia” label, and to reinforce the “Product of Australia” description. This prevents imported FCOJ from 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

In recent times, prices received by citrus grower have been regarded by industry sources as "very low", with some producers receiving prices well below the cost of production. This situation has seen producers exiting the industry. However, with expected fall in production, and reports of higher quality fruit, industry sources are anticipating increased returns to producers.

The Australian dollar has depreciated against the US dollar over the past year. Assuming a relatively stable exchange rate, producers are anticipating much higher returns from the US market.

Trade

Import Trade Matrix			
Country	Australia		
Commodity	Juice, Orange		
Time period	Yr End Jun	Units:	MT
Imports for:	2000		2001
U.S.	470	U.S.	51
Others		Others	
Brazil	21252	Brazil	15476
The Netherlands	541	Belgium	602
Cuba	74	The Netherlands	550
Argentina	49	Pakistan	52
Pakistan	47	Cuba	37
Italy	26	Italy	22
Spain	13	New Zealand	5
Belgium	12	Hong Kong	3
South Africa	5	Portugal	2
Israel	4	United Kingdom	1
Total for Others	22023		16750
Others not Listed	15		1
Grand Total	22508		16802

NB. 2001 figures are for the 7 month period July 2000 to February 2001.

Export Trade Matrix			
Country	Australia		
Commodity	Juice, Orange		
Time period	Yr End June	Units:	MT
Exports for:	2000		2001
U.S.	2	U.S.	0
Others		Others	
Japan	434	Japan	417
Indonesia	328	New Zealand	278
Hong Kong	323	Hong Kong	142
Singapore	266	Indonesia	136
New Zealand	240	Malaysia	133
Malaysia	175	China	100
Thailand	131	Thailand	89
China	120	Kiribati	79
The Philippines	94	Singapore	68
India	65	The Philippines	68
Total for Others	2176		1510
Others not Listed	439		291
Grand Total	2617		1801

NB. 2001 figures are for the 7 month period July 2000 to February 2001.

General

Orange juice imports dropped slightly in the first eleven months of 2000/01 marketing year, compared with the previous year but are expected to increase in 2001/2002 as a result of the smaller crop and the lower availability of suitable fruit.

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 constrained and imports of FCOJ increase.

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. Industry groups are pushing to have this tariff increased as a result of the increased competitiveness of imported juice, particularly from Brazil.

Policy

General

The processing sector has been stimulated recently by an increase in fresh juice production. The push into fresh juice 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.