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Australia

Citrus Annual

2010

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Report Highlights:
Eastern Australia appears to have finally broken the grip of the longest and most severe drought in recorded history. Total fresh orange production for 2011/12 (year begin April 2011) is forecast at 430,000 MT. This represents an increase of over ten percent and a return to levels experienced in 2009/10. Improved seasonal conditions, including the wettest spring on record, is expected to dramatically increase yield per tree and this should see overall production surge despite lower tree numbers and planted area. Total exports of fresh oranges for 2011/12 (year begin April 2011) are forecast at 120 TMT, up sharply on the revised estimate for the previous year.

Commodities:
Oranges, Fresh
Orange Juice

Summary

Eastern Australia appears to have finally broken the grip of the longest and most severe drought in recorded history. Widespread heavy rainfall arrived on Christmas day 2009 and began a period of above-average rainfall which has continued throughout CY 2010 and up until the time of writing this report. At times, rainfall through CY 2010 caused widespread flooding. These conditions remain in stark contrast to severe drought conditions currently being experienced in Western Australia.

Drought-breaking rainfall arrived in time to improve the quality of the 2010/11 crop and has greatly improved production prospects for the 2011/12 crop. Record rainfall over the recent spring period has greatly improved soil moisture and completely recharged irrigation water reserves. This is expected to improve production prospects for the 2011/12 crop.

Recent travel undertaken by Post has revealed concern among industry sources regarding the historically high value of the Australia dollar. The value of the Australian dollar, which recently achieved parity with the US dollar, has eroded export returns, particularly for exports to the US, one of Australia's key export markets.

At the time of writing this report, the 2010/11 orange crop (year begin April 2010) is all but harvested while the 2011/12 orange crop (year begin April 2011) is at the early fruit-let stage.

Planted area

Planted area has been forecast to decline slightly to 19,500 hectares in 2011/12. Improved rainfall and irrigation water supplies are likely to see planted area fall only slightly, unlike the much larger annual falls experienced during the long running and severe drought which began in 2002/03.

The lack of up-to-date and publicly available data on citrus plantings continues, as is the case with numerous other Australian horticultural industries. Post believes the long-term trend is for a steady decline in the area planted to citrus as well as a decline in the total number of trees (although area is falling slightly faster than tree numbers as overall density increases). Over the past decade, poor profitability and severe drought has encouraged growers to exit the industry and this is driving the overall decline in area and tree numbers. The Valencia variety, which has traditionally been processed for juice, has been the most commonly removed citrus tree over this period.

Going forward, it is believed that the decline in tree numbers will slow. Improved water supplies and improved prices for oranges delivered to processors will partially constrain the decline going forward.

Production

Total fresh orange production for 2011/12 (year begin April 2011) is forecast at 430,000 MT. This represents an increase of over ten percent and a return to levels experienced in 2009/10. Improved seasonal conditions, including the wettest spring on record, is expected to dramatically increase yield per tree and this should see overall production surge despite lower tree numbers and planted area.

Industry sources are expecting historically high (possibly record) fruit counts per tree. Current seasonal conditions have been described as "easy" and the usual early stage fruit drop has not occurred. Industry sources are concerned that, despite improved yield, individual fruit size will likely be reduced due to higher fruit numbers per tree. Despite efforts by producers to lighten the crop, sources are expecting higher orange production driven by higher yields per tree.

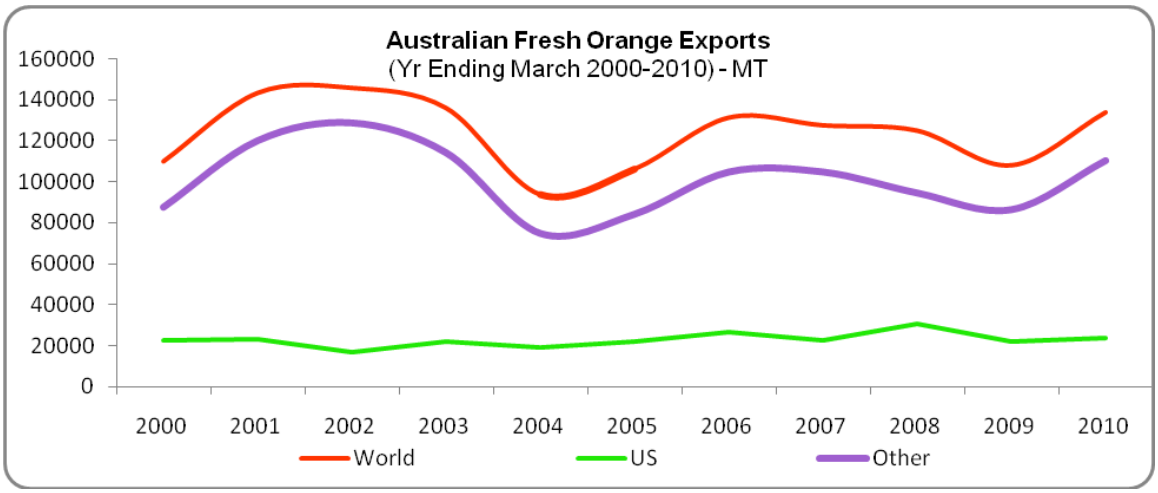
Production for 2010/11 has been revised downwards to 380 TMT. Severe drought conditions during spring in CY 2009 caused a historically large fruit drop reducing yield per tree. However, industry sources report an exceptionally high quality crop, due primarily to the historically large fruit size which, at times, was too large for some export markets.

An unforeseen impact on orange production for 2010/11 was the heat wave experienced in November 2009, which coincided with the crucial flowering and early fruit-let set period. The heat wave is believed to have exacerbated the already large fruit drop and diminished production beyond previous estimates.

Exports

Total exports of fresh oranges for 2011/12 (year begin April 2011) are forecast at 120 TMT, up sharply on the revised estimate for the previous year. Increased production is expected to see the exportable surplus increase substantially. The concerns about possible smaller fruit size and the historically high value of the Australian dollar are likely to constrain exports from surpassing Post's forecast.

Total exports of fresh oranges for 2010/11 (year begin April 2010) have been revised downwards sharply to 96 TMT. Lower production and a stronger dollar constrained exports to below average levels.



Source: World Trade Atlas Data

The United States received around ten percent of Australia's total orange exports in 2009/10, down from 21 percent in 2004/05.

Juice production

Juice production for 2011/12 (year begin July 2011) is forecast at 10,769 MT, up sharply on the revised estimate for 2010/10 year. Improved overall citrus production, lower prices and concerns about quality are likely to see delivery of oranges for processing increase sharply.

Estimated juice production for 2010/11 (year begin July 2010) has been revised downwards to 6,923 MT due to historically low levels of oranges delivered for processing. Lower total production, improved quality and strong domestic demand for fresh oranges caused production to drop to historically low levels. A recent spike in prices received for processing oranges is the result of low availability of oranges suitable for production.

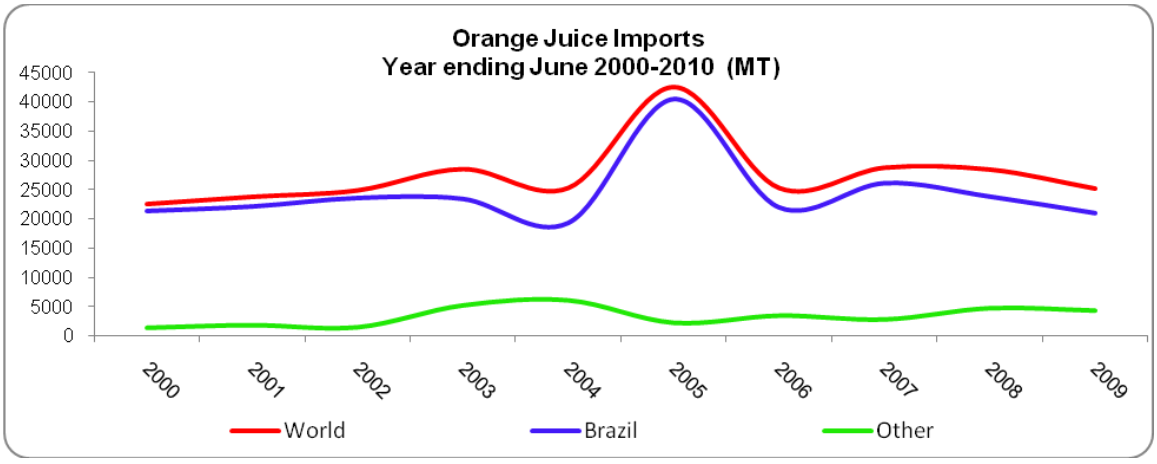
Juice exports

Exports for 2011/12 (year begin July 2011) are forecast to increase to 1,100 MT due to increased orange juice production. Exports for 2010/11 (year begin July 2010) have been revised downwards sharply in line with year-to-date trade data which showed sharp falls in exports. This decline has been driven by lower overall production and higher overall quality which sharply reduced the availability of oranges suitable for processing and thus lowered exports.

Juice Imports

Total juice imports are forecast to fall to 30,000 TMT in 2010/11 due to increased domestic production and an increase in the supply of oranges suitable for juice. Imports reached above-average levels in 2009/10 due to lower domestic production and continued growth in demand.

Source: World Trade Atlas Data

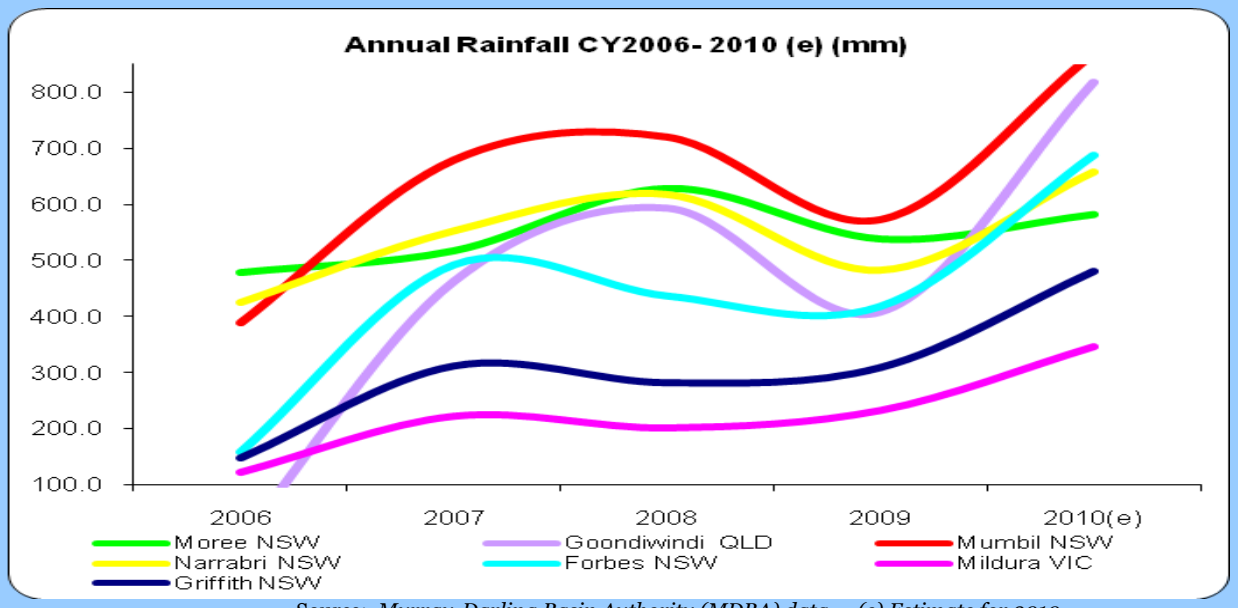


Official trade statistics shows that the overwhelming majority of Australia's orange juice imports are sourced from Brazil.

Water – Water - Water

Eastern Australia appears to have finally broken the grip of the longest and most severe drought in its recorded history. The drought, which began in 2002/03, devastated countless crops and severely impacted livestock industries. During this period irrigation water reserves (much of which are used to generate hydro-electricity) were severely depleted. Many experts feared a full recovery from drought would require three consecutive years of above average rainfall, but most have recovered in the past year.

The sharp increase in rainfall is estimated to have caused over one billion dollars in damage to agricultural crops. In the state of NSW, the government has declared 37 separate disaster areas and parts of the catchment have experienced their wettest year since 1974. In the state of Queensland, the sugar industry has experienced the worst harvest for 20 years due to wet weather. In the state of Victoria, almost all districts exceeded average rainfall and many experienced flooding.



Source: *Murray-Darling Basin Authority (MDBA) data - (e) Estimate for 2010*

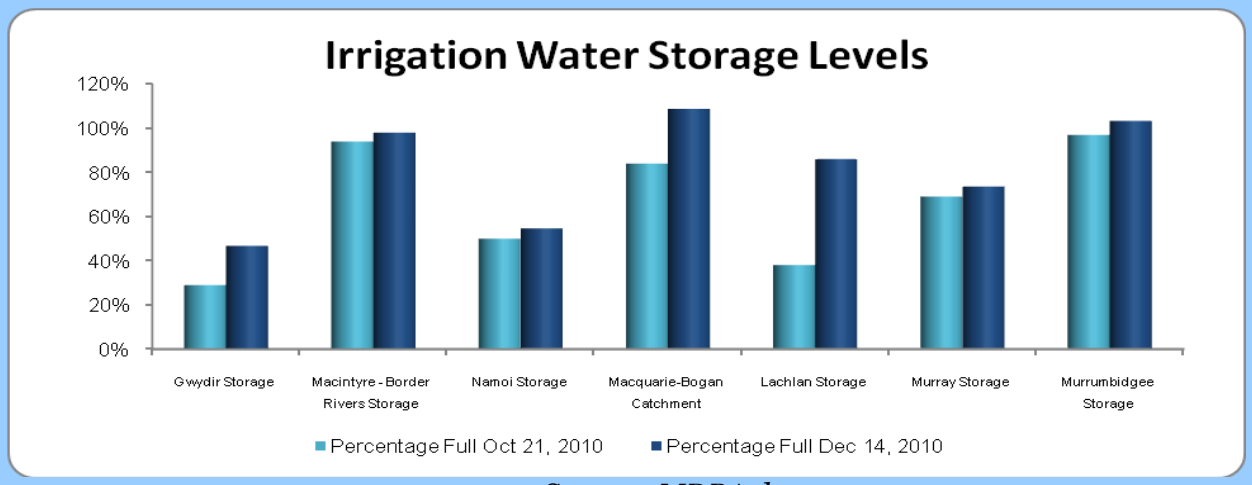
Widespread rainfall, starting on Christmas day 2009, began a period of above average falls which, on a monthly basis, has continued up until the time of writing this report. Far western New South Wales (NSW) was the first region to experience flooding, with the states of Victoria and Queensland following. Some water storages, albeit minor ones, have been breached. The Lachlan, Macquarie and Murrumbidgee rivers have suffered flooding as have the upper reaches of the Murray River. Almost all irrigation systems in NSW (the Lachlan is a noteworthy exception) have received 100 percent general security water allocation for the first time in almost a decade.

According to the Australian Bureau of Meteorology, September 2010 was the wettest September since 1998 for the Murray-Darling Basin, an area which includes most of Australia's agricultural production.

September 2010 was also the wettest September since 2005 for the state of NSW and the coolest month since September 1998. Media reports have stated that this spring (2010) is the wettest on record.

Wet and cool conditions, particularly in south eastern NSW and eastern Victoria, also created large volumes of water runoff in the catchment areas where public water storages were depleted. This has dramatically reversed the fortunes of irrigated crops such as citrus (and also rice and cotton).

The graph below shows water volumes in key storage areas have increased significantly in a short period of time. Most water storages are nearing maximum capacity while some continue to remain at levels below the historic average. In the most extreme cases, some storages have surged to over 100 percent capacity.



Source: MDBA data

Recent sharp volumetric increases in the Burrinjuck/Blowering and Hume/Dartmouth storage systems are driving the increase in rice and dairy production forecasts. Increases in the Murray storage system are driving the citrus production outlook, as is the Murrumbidgee and Lachlan systems.

Drought in Western Australia

While rainfall and temperatures for 2010 to date have been greatly improved in eastern Australia, Western Australia has plunged further into drought. Greatly reduced rainfall and hotter than average temperatures have lead the Western Australian Department of Agriculture to announce conditions just short of "catastrophic". The record dry spell is reported to be affecting huge tracts of the southern wheat belt.

Statistical Tables

Oranges, Fresh Australia	2008/2009		2009/2010		2010/2011	
	Market Year Begin: Apr 2009		Market Year Begin: Apr 2010		Market Year Begin: Apr 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	20,000	20,000	19,600	19,600		19,500
Area Harvested	17,200	17,420	16,850	16,850		16,700
Bearing Trees	7,414	7,414	7,355	7,355		7,300
Non-Bearing Trees	1,208	1,208	1,197	1,197		1,190
Total No. Of Trees	8,622	8,622	8,552	8,552		8,490
Production	430	430	440	380		430
Imports	16	16	16	19		18
Total Supply	446	446	456	399		448
Exports	134	134	130	96		120
Fresh Dom. Consumption	177	177	185	198		188
For Processing	135	135	141	105		140
Total Distribution	446	446	456	399		448
HECTARES, 1000 TREES, 1000 MT						

Orange Juice Australia	2008/2009		2009/2010		2010/2011	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Deliv. To Processors	135,000	135,000	141,000	105,000		14,000
Beginning Stocks	810	810	895	359		166
Production	10,385	10,385	10,850	6,923		10,769
Imports	30,500	25,249	33,000	30,732		30,000
Total Supply	41,695	36,444	44,745	38,014		40,935
Exports	1,800	1,085	1,750	848		1,100
Domestic Consumption	39,000	35,000	42,254	37,000		39,000
Ending Stocks	895	359	741	166		835
Total Distribution	41,695	36,444	44,745	38,014		40,935
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.

Title of Report	Date
Ag DownUnder - Issue 7 2010	12/10/10
Winter crop harvest under way as rain continues in eastern Australia	11/30/10
Australia Moves toward Phasing Out the Use of Sow Gestation Stalls	11/24/10
Dairy and Products Annual 2010	11/23/10
Grain and Feed Lock-Up – November 2010	10/28/10
Ag DownUnder – Issue 6 2010	10/15/10
Sugar Semi Annual 2010	09/29/10