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Australia

Canned Deciduous Fruit

Annual

2004

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Report Highlights:
Canning peach production is forecast to rise sharply in CY 2005, conditioned on an expected return to more normal weather conditions. Canning pear production is also forecast to rise in 2005, albeit at a more conservative rate. Canned fruit exports are also forecast to rise sharply in CY 2005, in-line with the higher expected production, while imports are forecast to decline.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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SECTION ONE: SITUATION AND OUTLOOK

Peaches

Production

Canning peach production (fruit delivered to processors) is forecast at 58,000 MT in calendar year (CY) 2005, up 61 percent from the revised figure for the previous year and relatively close to the longer-term average. The forecast of 2005 production assumes normal weather conditions and sufficient supplies of irrigation water. At the time of writing this report, irrigation water allocations for key canning fruit areas appear sufficient for a crop of this size. Furthermore, soil moisture levels are adequate and growers are not anticipating above average watering requirements. A return to previously experienced drought conditions or any significant reduction in irrigation water allocations would result in lower output.

Canning peach production for CY 2004 is estimated at 36,000 MT, down substantially from the previous figure (see GAIN Report #AS3035), and 32-percent lower than in 2003. A severe frost early in the season did significant damage to stone fruit crops such as apricots, but was believed to have had a mostly negligible impact on the canning peach crop. However, industry sources now believe this frost event was the primary reason for the lower 2004 crop. Very dry conditions leading into the CY 2004 season are also believed to have negatively impacted the final size of the crop.

Post utilizes a conversion factor of 0.83 to convert fresh fruit to actual canned peach production. As such, canned peach production for CY 2005 is forecast at 48,140 MT, up sharply from the estimated 29,880 MT produced in 2004. The CY 2005 production forecast is relatively in-line with the longer-term average.

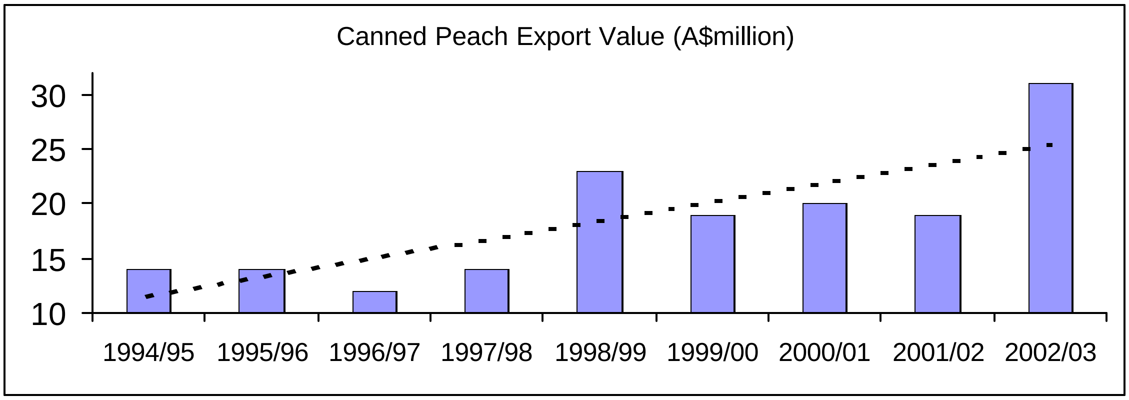
Trade

Exports: Canned peach exports in CY 2005 are forecast at 14,000 MT, up sharply from the previous year. The substantially larger 2005 crop is expected to boost fruit available for export. The 2005 export forecast is relatively in-line with the long-term average export volume.

Canned fruit exports in CY 2004 are projected at 7,000 MT. This export figure is at an historical low largely brought-on by the reduction in canning fruit supplies due to unfavorable weather conditions. Year-to-date trade data for CY 2004 (January-August) shows exports declining over 50 percent compared to the same period in the previous year.

Post uses a conversion factor of 0.63 to convert canned fruit product, as reported in the trade accounts, back into fruit content, for inclusion in the S&D tables. Also, when converting cartons shipped to metric tons, Post uses a conversion factor equivalent to 49 cartons to the metric ton. Industry sources suggest that this conversion figure would vary depending on fruit quality and size, and could reach as high as 55 cartons to the metric ton.

Historic figures provided by the Department of Agriculture, Fisheries and Forestry (DAFF, formerly AFFA) indicates an overall increase in the value of canned fruit exports, on an annual July to June basis. A lower Australian dollar and packaging improvements have assisted exports over the past five years. More recently, a temporary shortfall in northern hemisphere production has created sharp increase in export demand.



Source: DAFF (July-June year)

Imports: Canned peach imports in CY 2005 are forecast at 700 MT, down 44 percent from the previous year and more in-line with the long-term average. The projected increase in domestic production of canned peaches is expected to result in the drop in exports in CY 2005.

Imports of canned peaches are projected at 1,260 MT in CY 2004. Year-to-date trade data (January-August) indicates a 100 percent rise in imports, as domestic supply shortages and changes in currency values have greatly improved import prospects.

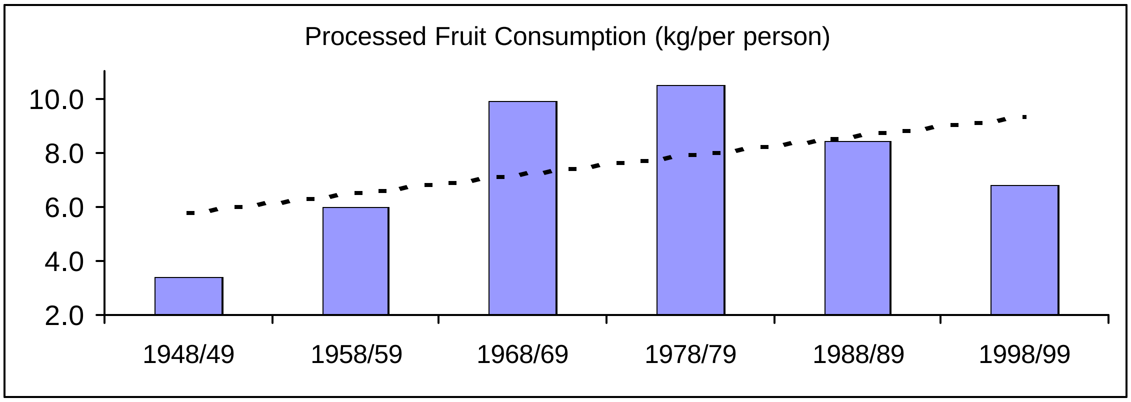
Australia has traditionally imported minimal amounts of canned fruit. However, recent domestic production difficulties have resulted in a fairly dramatic rise in imports, albeit from a relatively low base. With more normal domestic harvests, imports should moderate in the medium to longer term.

Domestic Consumption

Domestic canned peach consumption in CY 2005 is forecast at 32,000 MT, up 5,000 MT from the previous year and in-line with the longer-term average. Increased supplies of canned peaches should allow domestic consumption to return to more normal levels.

Canned peach consumption in CY 2004 is projected at 27,000 MT, sharply lower than the year-earlier figure. Reduced domestic production lowered the supply of canned peaches available for domestic consumption.

Historical canned fruit figures used by Post are derived mostly from official production and trade figures. Official consumption figures for canned peaches are no longer available; however, DAFF has recently released historical statistics for total processed fruit consumption over the last 50 or so years (see the following graph.)



Source: DAFF

Pears

Production

Canning pear production (fruit delivered to processors) in CY 2005 is forecast at 54,000 MT, up 10 percent from the revised figure for the previous year. According to grower sources, irrigation water supplies are expected to be adequate and soil moisture conditions are currently favorable. Post assumes average weather conditions for the remainder of the season in arriving at this forecast. A return to drought conditions or a significant drop in the availability of irrigation water would reduce 2005 production prospects.

Canned pear production in CY 2004 is estimated at 49,000 MT, slightly lower than Post's previous figure. The pear crop, which tends to flower late, was not as seriously affected by the severe frost event that damaged much of the peach crop and all but wiped out the apricot crop. However, drier conditions and slightly reduced supplies of irrigation water did constrain total pear output to just below Post's previous figure.

Post uses a conversion factor of 0.83 to convert fresh pears to canned pear production. Given this, canned pear production in CY 2004 is estimated at 40,670 MT, and is forecast to rise to 44,820 MT in CY 2005.

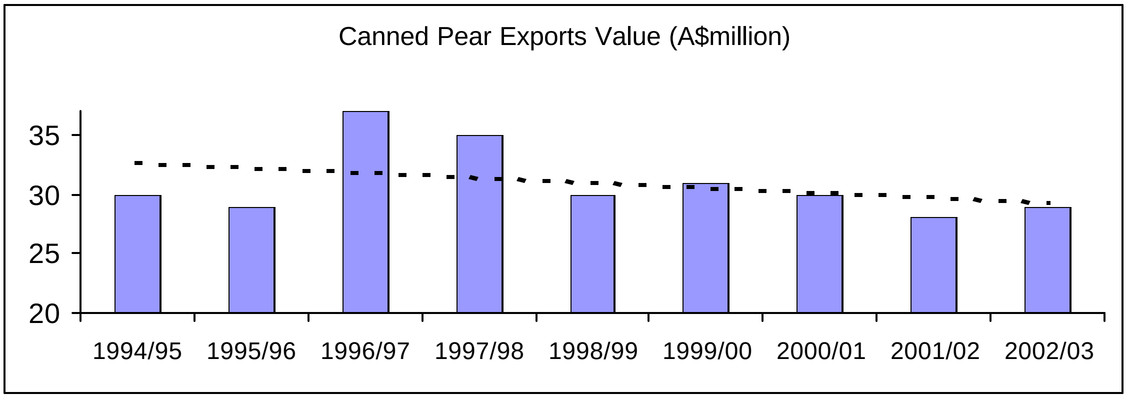
Trade

Exports: Canned pear exports in CY 2005 are forecast at 15,400 MT, up 14 percent from the previous year and more in-line with the longer-term average. A larger expected 2005 pear harvest is expected to greatly improve the availability of canned pears for export.

Canned pear exports in CY 2004 are projected at 13,500 MT, down 7 percent from the previous year. Year-to-date figures (January-August) show even a more significant reduction from the same period in the previous year. Drought conditions along with limited supplies of irrigation water reduced the availability of canned pears for export.

Post uses a conversion factor of 0.63 to convert shipped product weight to actual canned fruit content. When converting cartons shipped to metric tons, Post uses a conversion factor equivalent to 49 cartons to the metric tons. Industry sources suggest that this conversion figure would vary with fruit quality and size and could reach as high as 55 cartons to the metric ton.

Historical figures from DAFF indicate export value for canned pears trending downwards over the past decade. According to industry sources, this decline is due a general decline in production brought on by declining tree numbers.



Source: DAFF

Imports: Canned pear imports in CY 2005 are forecast at 100 MT, well under the figure for the previous year. Imports in CY 2004 are projected at 315 MT, in-line with year-to-date trade figures (January-August) showing a large rise in imports. Lower domestic production and relative changes in exchange rates have helped to boost imports to historically high levels.

Post uses a conversion factor of 0.63 to convert shipped product weight to actual canned fruit weight. When converting cartons shipped to metric tons, Post uses a conversion factor equivalent to 49 cartons to the metric ton. Industry sources suggest that this conversion figure would vary depending on fruit quality and size and could reach as high as 55 cartons to the metric ton.

Domestic Consumption

Canned pear consumption figures are no longer available. Consumption figures reported by Post are mostly derived from the trade and production figures.

Policy

Australia-US FTA: Australia completed free trade agreement (FTA) negotiations with the United States in February 2004. The FTA could be implemented as soon as January 1, 2005. Currently, Australia maintains an import tariff of five percent on canned fruit, including product from the United States. Under the FTA, Australia's tariff on product from the United States would immediately drop to zero.

Exports of canned fruit from Australia to the United States currently attract a U.S. tariff of 18 percent. Under the FTA, the U.S. import tariff would be reduced to zero at the rate of one percent per year over a period of 19 years. The Australian canning fruit industry was particularly critical of the relatively long phase-out period of the U.S. tariff. Currently, the only major bilateral trade is Australian exports of canned pears to the United States.

Australia-Thailand FTA: Australia completed FTA negotiations with Thailand in October 2003. Under the agreement, Thailand's tariff on Australia's exports of canned fruit and juices will be reduced to zero by 2010, from the pre-FTA 30 percent.

Marketing

Australia's two remaining fruit canners officially merged into one in September 2001. The merger was subject to approval of the Australian Competition and Consumer Commission. The Commission granted approval for the merger stating that there was sufficient competition from imported canned fruit to guard against anti-competitive behavior. The new company, SPC-Ardmona, recently announced an annual operating profit.

Recently, SPC-Ardmona held talks a much larger food company, National Foods. National Foods, which is principally a large dairy foods manufacturer, signaled its intention to purchase SPC-Ardmona. According to reports, the share prices for both these companies rose significantly on the news of these talks.

According to reports, the merger would require amendment of the rules limiting ownership in SPC-Ardmona to 20 percent per shareholder. The same reports have suggested that grower shareholders may not support this merger proposal.

SECTION TWO: STATISTICAL TABLES

Canned Peaches

PSD Table Peaches, Canned							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Deliv. To Processors	52700	52700	48000	36000	0	58000	(MT)
Beginning Stocks	7613	7613	2300	4050	2240	1190	(MT, Net Weight)
Production	43741	43741	39840	29880	40000	48140	(MT, Net Weight)
Imports	344	677	400	1260	400	700	(MT, Net Weight)
TOTAL SUPPLY	51698	52031	42540	35190	42640	50030	(MT, Net Weight)
Exports	14398	12981	7300	7000	8000	14000	(MT, Net Weight)
Domestic Consumption	35000	35000	33000	27000	33500	32000	(MT, Net Weight)
Ending Stocks	2300	4050	2240	1190	1140	4030	(MT, Net Weight)
TOTAL DISTRIBUTION	51698	52031	42540	35190	42640	50030	(MT, Net Weight)

Import Trade Matrix
Peaches, Canned

Time Period	Jan - Dec	Units:	MT
Imports for:	**2002**		**2003**
U.S.	0	U.S.	362
Others		**Others**	
Greece	408	Greece	408
New Zealand	86	South Africa	238
China	20	Italy	28
Italy	19	Spain	20
South Africa	10	Argentina	14
Malaysia	2	Korea South	2
Singapore	2	China	1
Korea South	1	France	1
France	1	Chile	1
United Kingdom	1		
Total for Others	**550**		**713**
Others not Listed	118		0
Grand Total	**668**		**1075**

Export Trade Matrix
Peaches, Canned

Time Period	Jan - Dec	Units:	MT
Exports for:	**2002**		**2003**
U.S.	2494	U.S.	274
Others		**Others**	
New Zealand	4175	New Zealand	7641
Canada	3943	Canada	4315
Japan	2544	Japan	2019
Netherlands	806	Philippines	918
Singapore	708	United Kingdom	775
United Kingdom	652	Malaysia	717
Malaysia	581	Netherlands	712
Philippines	406	Thailand	643
Thailand	360	Singapore	487
Chile	320	Taiwan	452
Total for Others	**14494**		**18678**
Others not Listed	1400		1652
Grand Total	**18389**		**20604**

Canned Pears

PSD Table Pears, Canned							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Deliv. To Processors	52000	52000	47000	49000	50000	54000	(MT)
Beginning Stocks	5954	2338	4575	2032	4015	1517	(MT, Net Weight)
Production	43160	43160	40890	40670	41500	44820	(MT, Net Weight)
Imports	50	50	50	315	50	100	(MT, Net Weight)
TOTAL SUPPLY	49164	45548	45515	43017	45565	46437	(MT, Net Weight)
Exports	25589	14516	22000	13500	22000	15400	(MT, Net Weight)
Domestic Consumption	19000	29000	19500	28000	19500	29000	(MT, Net Weight)
Ending Stocks	4575	2032	4015	1517	4065	2037	(MT, Net Weight)
TOTAL DISTRIBUTION	49164	45548	45515	43017	45565	46437	(MT, Net Weight)

Import Trade Matrix Pears, Canned			
Time Period	Jan - Dec	Units:	MT
Imports for:	2002		2003
U.S.	11	U.S.	9
Others		Others	
China	19	China	87
New Zealand	13	Italy	31
South Africa	9	South Africa	17
Spain	2	Spain	4
Singapore	1	France	2
Total for Others	44		141
Others not Listed	147		1
Grand Total	202		151

Export Trade Matrix Pears, Canned			
Time Period	**Jan - Dec**	**Units:**	**MT**
Exports for:	**2002**		**2003**
U.S.	1039	U.S.	4567
Others		**Others**	
Germany	5415	United Kingdom	6980
United Kingdom	5021	Japan	3278
Japan	3161	Germany	3147
Canada	3039	Canada	2723
New Zealand	998	New Zealand	982
Denmark	984	Norway	874
Norway	891	Denmark	736
Thailand	503	Philippines	679
Sweden	383	Sweden	668
Netherlands	351	Thailand	369
Total for Others	**20746**		**20436**
Others not Listed	1256		1674
Grand Total	**23041**		**26677**