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Australia

Fresh Deciduous Fruit

Semi-Annual

2003

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Report Highlights:

Australia's 2003 apple production fell five percent due to a prolonged drought that led to tight irrigation water supplies. Pear production in 2003 was up about 17 percent from the weather-reduced 2002 crop. The 2004 apple crop is expected to be slightly below average, while the pear crop should be about average. Apple exports in 2003 are projected to be down marginally from 2002, while pear exports are expected to rise about 14 percent. Most of Australia's apple and pear exports are destined for South and Southeast Asia.

Includes PSD Changes: Yes
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SECTION ONE: SITUATION AND OUTLOOK

Australian agriculture was severely impacted by an extended drought that began in late 2001 and lasted through to the first part of 2003. The drought is now subsiding, and although the dry weather trimmed deciduous fruit output in 2003, the outlook for the 2004 crop is fairly upbeat. Besides some isolated incidents, there have been no other major weather events negatively impacting the crop. In some respects, particularly related to the prevalence of pests and diseases, the crops have benefited from the earlier drier than normal conditions.

Industry sources report that moisture budgeting and tree management were crucial to crop performance during the drought. Additionally, some of the key pear growing areas did not suffer the very tight water restrictions that were experienced by some other major horticultural regions.

Irrigation water availability, however, remains low and is expected to constrain apple and pear production somewhat in 2004. Despite the low irrigation water supplies, soil moisture levels in major production regions are now reported to be excellent. As a result, growers are delaying irrigation programs in order to conserve available water supplies.

Australia exports apples and pears, but imports are banned because of diseases and insect pests of quarantine concern. Fresh apple imports in 2003 are forecast at 25,000 MT, slightly below exports in 2002. Fresh pear exports in 2003 are forecast at 21,000 MT, about 14 percent higher than in 2002.

SECTION TWO: STATISTICAL TABLES

Australia Fresh Apples							
	2000	Revised	2001	Estimate	2002	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2001		01/2002		01/2003	MM/YYYY
Area Planted	25000	25000	25000	25000	25000	25000	(HA)
Area Harvested	0	0	0	0	0	0	(HA)
Bearing Trees	6300	6300	6400	6400	6500	6500	(1000 TREES)
Non-Bearing Trees	3699	3699	3752	3752	3811	3811	(1000 TREES)
Total Trees	9999	9999	10152	10152	10311	10311	(1000 TREES)
Commercial Production	285000	285000	295000	320000	328000	305000	(MT)
Non-Comm. Production	0	0	0	0	0	0	(MT)
TOTAL Production	285000	285000	295000	320000	328000	305000	(MT)
TOTAL Imports	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	285000	285000	295000	320000	328000	305000	(MT)
Domestic Fresh Consump	130000	130000	128000	138000	135000	135000	(MT)
Exports, Fresh Only	33857	33857	25393	25920	35000	25000	(MT)
For Processing	121143	121143	141607	156080	158000	145000	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
TOTAL UTILIZATION	285000	285000	295000	320000	328000	305000	(MT)

Australia Fresh Pears							
	2000	Revised	2001	Estimate	2002	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2001		01/2002		01/2003	MM/YYYY
Area Planted	0	0	0	0	0	0	(HA)
Area Harvested	0	0	0	0	0	0	(HA)
Bearing Trees	1950	1950	1950	1950	1950	1950	(1000 TREES)
Non-Bearing Trees	550	550	550	550	550	550	(1000 TREES)
Total Trees	2500	2500	2500	2500	2500	2500	(1000 TREES)
Commercial Production	168896	168896	165000	145000	175000	170000	(MT)
Non-Comm. Production	0	0	0	0	0	0	(MT)
TOTAL Production	168896	168896	165000	145000	175000	170000	(MT)
TOTAL Imports	1027	1027	1000	1467	1000	1000	(MT)
TOTAL SUPPLY	169923	169923	166000	146467	176000	171000	(MT)
Domestic Fresh Consump	80000	80000	84000	70000	85000	85000	(MT)
Exports, Fresh Only	16877	16877	18030	18472	21000	21000	(MT)
For Processing	73046	73046	63970	57995	70000	65000	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
TOTAL UTILIZATION	169923	169923	166000	146467	176000	171000	(MT)

SECTION THREE: NARRATIVE ON SUPPLY AND DEMAND, POLICY AND MARKETING

Apples

Production

Apple production in 2004 is forecast at an average to slightly below average level. Depleted irrigation water supplies due to the drought appear to be the main constraint to a larger crop. Rainfall, on the other hand, has now returned to a much more normal pattern. Significant precipitation, of late, in many fruit growing areas has helped to fill soil moisture profiles. Irrigation water supplies remain well below normal, but recent rainfall has begun to boost supplies and has lessened demands for irrigators.

Apple production in calendar year 2003 is estimated at 305,000 metric tons (MT), down from Post's previous forecast of 328,000 MT, but slightly above the five-year average production of 300,000 MT. Widespread drought conditions across most of the Australian continent combined with dwindling irrigation water supplies trimmed output of the 2003 crop.

Although production in 2003 was lower than previously anticipated, it is surprising that the crop did not deteriorate to a greater extent given the extremely dry conditions that characterized much of the season. Industry sources suggest that improved management practices including moisture budgeting and orchard management avoided a general crop failure.

The 2003 apple harvest was made up of a far higher proportion of smaller sized fruit, according to industry sources. The small size of the crop is largely attributed to the dry conditions that characterized the season. The crop season was relatively free of any other forms of extreme weather which otherwise could have affected crop quality.

Apples are grown commercially in all of Australia's states and territories, except the Northern Territories. According to a recent agricultural survey, the Australian Bureau of Statistics (ABS) reports that Victoria is the largest producing state, with about 30 percent of national production, followed by New South Wales (22%), Tasmania (16%), Western Australia (15%), Queensland (9%), and South Australia (7%). Australia's major apple varieties have traditionally been Granny Smith and Red Delicious, which still constitute over 50 percent of national apple production. Gala, Fuji, Cripps Pink (Pink Lady) and Cripps Red (Sundowner) account for about one-third of production, and are growing in importance. Apples grown in temperate regions of Australia are irrigated.

Trade

Exports: Australia's apple exports in calendar year (CY) 2003 are forecast at 25,000 MT, down slightly from the 26,000 MT exported the previous year. Australian Bureau of Statistics (ABS) export figures for January to June 2003 show a significant increase in exports over the year-earlier period. However, the smaller size of the 2003 crop, small fruit sizes, and a much stronger Australian currency are expected to trim prospects for the remainder of 2003. Apple exports in 2002 were valued at A\$35.5 million.

Australia was a major exporter of apples to the United Kingdom in the 1970's. However, with the entry of the UK into the European Union, this export market has declined significantly. Australia has now focused most export market promotion efforts at markets in Japan and South and Southeast Asia. India is now Australia's largest export market and shipments to

India have been the bright spot in export performance. Shipments to India are dominated by Red Delicious out of Tasmania.

Australia: Fresh Apple Exports, Calendar Years 2000-2002
(metric tons)

Country	2000	2001	2002
India	3,578	5,495	5,244
Malaysia	10,070	7,749	5,224
Sri Lanka	4,211	2,975	3,639
Singapore	5,109	3,920	2,848
United Kingdom	3,188	3,369	2,234
Bangladesh	2,079	2,355	1,381
Taiwan	1,921	1,382	1,327
Indonesia	1,414	968	739
Hong Kong	1,428	1,510	577
Papua New Guinea	598	492	459
Others	2,782	3,642	2,248
Total	36,378	33,857	25,920

Source: Australian Bureau of Statistics.

Imports: Australia bans apple imports because of diseases and insect pests that are of quarantine concern. Of principal concern for Australia is fire blight, a plant pathogen that is present in many apple producing countries (including the United States), but not in Australia. Australia has banned apple imports from New Zealand since 1921, largely due to concerns associated with the potential entry of fire blight into Australia. In recent years, New Zealand made formal applications to Australia to allow apple imports, first in 1989 and again in 1995. Both applications were rejected by Australia largely over concerns with the introduction of fire blight.

In January 1999, New Zealand again made a formal application to Australia to consider the importation of apples. In October 2000, Australia (Biosecurity Australia) released a draft Import Risk Analysis (IRA) for New Zealand apples, which again highlighted Australia's concern with fire blight, but did outline a proposed series of conditions under which access could be granted. New Zealand viewed these conditions as unnecessarily onerous and scientifically unjustifiable, specifically arguing that based on available scientific evidence, fire blight cannot be transmitted via trade in mature, commercially produced apples free from trash, i.e., leaves and branches. New Zealand has stated that they may seek a formal WTO dispute settlement case against Australia.

Meanwhile, the United States was pursuing a WTO dispute settlement case regarding Japanese import restrictions on apples because of fire blight. In July 2003, the panel in this case concluded that Japan's quarantine measures for fire blight disease were inconsistent with the WTO Agreement on Sanitary and Phytosanitary Measures. The panel found, among other things, that on the information presented, there is not sufficient scientific evidence that apple fruit are likely to serve as a pathway for the entry, establishment or spread of fire blight within Japan. Japan has appealed this decision.

The release of a final IRA for Australia's apple imports from New Zealand is still pending. According to Australia's Agriculture Minister, the WTO panel's findings in the Japanese case, including the scientific conclusions relating to fire blight, will be considered as part of the IRA Australia is conducting for New Zealand apples. The Minister is also quoted as saying that Australia's import prohibition on New Zealand apples will remain in place, at least until the

IRA is finalized. Australia's risk analysis panel (RAP) for the New Zealand apple import IRA continues to meet on this topic. The 15th meeting of the RAP is scheduled for September 16-17, 2003.

The United States is also very interested in gaining access to Australia's apple market. Like New Zealand, U.S. access into the Australian market is now denied largely because of the presence of fire blight in the United States. A final IRA permitting New Zealand apples access to Australia would be favorable for future U.S. access.

Consumption

The bulk of Australia's apple crop is consumed domestically. Australia's apple consumption in CY 2003 is forecast at 135,000 MT, down slightly from the 138,000 MT consumed in the previous year. The actual export level will impact on the final consumption level.

Marketing

Apple and Pear Australia Limited (APAL), a non-profit public company, is the peak industry body representing the interests of Australia's 2,000 commercial apple and pear growers. APAL's major concerns are legislation and regulations affecting the industries, marketing, and research and development. APAL replaced the previous Australian Apple and Pear Growers Association Inc. (AAPGA).

Horticulture Australia Limited, which was formed by the merger of the Australian Horticultural Corporation and the Horticultural Research and Development Corporation, is owned by its members, which comprise 28 horticultural industries (including apples and pears). Horticulture Australia operates through a statutory levy system. Apple and pear growers pay statutory levies of A1.53 cents per kilogram and A1.64 cents per kilogram, respectively. For levies used for research and development, the Commonwealth government matches on a one-to-one basis. The levy funds are then managed by Horticulture Australia through the apple and pear Industry Advisory Committee (IAC). About A\$4 million is collected through the apple and pear levies.

Most apple producers pack and market their own fruit, either directly to retail chains, or through the domestic wholesale marketing system. An increasing amount fresh fruit, including apples, is marketed through the retail food chains.

The majority of Australia's apple and pear exports are marketed under the "AUSTRALIAfresh" brand. The AUSTRALIAfresh promotional campaign for the 2003 season is funded with A\$565,000 in industry funds and about A\$150,000 in contributions from exporters. This brand is also used for Australia's other horticultural exports.

Pears

Production

Post expects pear production in calendar year (CY) 2004 will be around average levels. A return to more normal rainfall conditions and improving soil moisture levels should result in an average-sized crop, despite below average irrigation water availability. Of note, the bulk of the major pear producing areas in the Murray and Goulburn valleys in northern Victoria have a more secure water supply than many other irrigation areas in Australia.

Post estimates pear production in CY 2003 at 170,000 MT, well above the five-year average of about 155,000 MT. The higher than average production level occurred because the major pear growing areas retained better access to irrigation water supplies due to its geographic location. In addition, the drier than normal conditions reduced the usual pressure from pests and diseases. Industry sources report higher than normal fruits per tree, which is also believed to be the result of the dry conditions.

Industry sources report that pear quality in 2003 suffered considerably from a low prevalence of "russet" on the Bosc variety. Russet provides the Bosc pear with its unique appearance. Industry funded promotional campaigns advised consumers this did not pose a problem to eating quality, but merely impacted the appearance of the fruit.

Pear production in CY 2002 is estimated at 145,000 MT, which is in line with official ABS statistics. Mixed weather conditions, such as heavy rainfall in the blossoming phase followed by a hot and dry finish, did much to trim output of the crop. The 145,000 MT crop is the lowest production level since 1998, when only 130,000 MT was harvested.

Most of Australia's commercial pear production is in the Goulburn Valley in the state of Victoria, which accounts for about 87 percent of national production. Western Australia and South Australia account for about seven percent and six percent of national production, respectively. Australia's pear production is dominated by varieties Packham, Williams and Beurre Bosc, which account for over 90 percent of national production. There is considerable interest in new pear cultivars, particularly for export.

Trade

Exports: Pear exports for CY 2003 are forecast at 21,000 MT, up from the 18,472 MT estimated for the previous year. The above average 2003 harvest increased the availability of fruit for export. In 2002, Australia's pear exports were valued at A\$23.6 million.

Imports: Australia bans the importation of pears because of concerns on diseases and insect pests of quarantine concern. A primary concern for pear imports is fire blight (see the discussion on this topic in the Apple Trade section.)

Marketing

(See the Apple Marketing section.)

Australia: Fresh Pear Exports, Calendar Years 2000-2002
(metric tons)

Country	2000	2001	2002
Singapore	6,750	4,524	4,631
Malaysia	4,955	4,872	4,018
Indonesia	2,543	2,140	3,016
Canada	751	646	1,811
New Zealand	1,336	1,202	1,647
Hong Kong	2,535	1,576	851
Belgium-Lux.	24	76	422
India	174	250	322
Italy	0	64	232
Taiwan	37	17	142
Others	1,473	1,510	1,380
Total	20,578	16,877	18,472

Source: Australian Bureau of Statistics.