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Report Highlights:

Australia's 2004/05 orange production is forecast to increase 34 percent to 550 TMT. Exports are forecast to increase to 150 TMT, in line with increased production. A return to more normal weather conditions and improved supplies of irrigation water are expected to drive this sharp increase. Widespread drought conditions constrained the 2003/04 crop to 410 TMT, the lowest level of production in more than a decade.

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SECTION ONE: SITUATION AND OUTLOOK

Introduction

The Australian citrus industry is relatively small by world standards, representing less than one percent of global production and around two percent of global exports (2000/01). Australia is the fourth largest citrus producer in the southern hemisphere, behind Brazil, Argentina and South Africa. Australia's major citrus crop is oranges (Valencias and Navels), with lesser quantities of lemons, mandarins, grapefruit and limes also produced.

In terms of Australia's horticultural production (2001/02), citrus was the fourth largest horticultural industry with an estimated value of around A\$426 million, (US\$227 million). Citrus exports were valued at around A\$191 million (US\$102 million) and accounted for about one-third of total production. The largest export destinations, on a value basis, were Hong Kong, the United States, Malaysia and Singapore. Hong Kong now vies with the United States as Australia's largest export market, on a value basis.

Citrus is grown in all Australian states with the exception of Tasmania. Production is concentrated along the Murrumbidgee and Murray Rivers, with about 90 percent of orchards in the Riverina, Sunraysia and Riverland irrigation areas of New South Wales (NSW), Victoria and South Australia. There is also significant production in the Central Burnett area in the state of Queensland, with lesser volumes in Western Australia, northwestern NSW and the Northern Territory.

The past decade (1991-2001) has forced a good deal of restructuring in the Australian citrus industry. Low prices and significant import competition from juice has seen many small growers exit the industry. The packing sector has also been restructured, with packers adopting new technology and increasing their size. Over the past decade, exports as a proportion of total production grew from 14 percent to 35 percent.

Growers have reduced plantings of Valencia oranges and sharply expanded plantings of Navel oranges and mandarins. Currently, the number of bearing Valencia and Navel orange trees are roughly equivalent at about 3.3 – 3.4 million a piece. The growth in Navel orange trees is primarily attributed to strong export growth for Navel oranges. Valencia oranges, which are primarily used for processing, are less desirable mostly because of strong competition from low-priced juice imports.

The principal Navel varieties grown in Australia are Washington, Leng and Late Lane. Navel oranges generally begin to mature in the month of May, with the Late Lane's maturing as late as September/October. Valencias usually begin to mature around September.

The availability of water remains a constraint for agriculture in the major citrus producing areas. Citrus, which has a high value to water use ratio, is expected to fare better than crops such as rice and cotton in future allocations of this scarce resource.

Note: The exchange rates (US\$ value of A\$) used for this report are: 2000/01, \$0.532; 2001/02, \$0.524; 2002/03, \$0.583. Currently, the Australian dollar is valued at US\$0.715.

Fresh Oranges

Production

Australia's total orange production in 2004/05 is forecast at 550 thousand metric tons (TMT), up 34 percent from the previous year. This increase is attributed to a return to more normal weather conditions after one of the worst droughts in a century. Industry sources report that irrigation water allocations in the Riverland and Sunraysia are now returning to pre-drought levels. Some areas, such as northwestern New South Wales remain in drought, with irrigation water supplies still critically low.

Recent climatic conditions in principal citrus growing areas have been very favorable for the development of the 2004/05 orange crop. Flowering and bud formation have been above average in the Sunraysia and Riverland regions. Widespread soaking rains in August provided the 2004/05 crops with an excellent start to the season and allowed irrigation water to be conserved. According to industry sources, many growers invested heavily in "water saving" irrigation technology in anticipation of a persisting drought.

Total orange production for 2003/04 is estimated at 410 TMT, down 35 percent from the near record crop of the previous year. According historical figures from the Australian Bureau of Agriculture and Resource Economics (ABARE), 2003/04 was the smallest orange crop since 1988/89. The reduced 2003/04 crop was due to widespread drought conditions and reduced supplies of irrigation water. Additionally, the drought during the lead up to the 2003/04 harvest coincided with an "off" year in the cyclical production cycle. The biannual cycle is a concern for the industry, and despite improved management practices, climatic conditions have increased the severity of the yearly fluctuations between "on" and "off" years.

Total orange production for 2002/03 has been revised upwards to 633,000 MT, the second largest crop on record. Although this was an historically large crop, a higher proportion of smaller sized fruit, together with some chaffing, significantly lowered the average quality of the crop.

The 2003/04 Navel harvest has ended in major producing areas of southern Australia (Riverland and Sunraysia). The Valencia crop is late maturing, with only a small proportion of the crop harvested to date. Just over one-half of the 2003/04 orange crop is expected to consist of Navels and the other one-half Valencias. Traditionally, Valencia production has far outweighed Navel production. However, more recently, Valencia trees have been removed and replaced with Navels, in response to lower juice prices and strong export demand for Navels.

Table 1:

AUSTRALIA: Citrus Trees, Navel and Valencia (million trees)						
	Bearing	Total	% Bearing	Bearing	Total	% Bearing
Year	Navel	Navel	Navel	Valencia	Valencia	Valencia
1996/97	2.68	3.54	75.7%	4.01	4.22	95.0%
1997/98	2.70	3.59	75.2%	3.92	4.11	95.4%
1998/99	2.74	3.57	76.8%	3.60	3.76	95.7%
1999/00	3.15	4.13	76.3%	3.74	3.92	95.4%
2000/01	3.10	4.08	76.0%	3.54	3.74	94.7%
2001/02	3.20	4.16	76.9%	3.55	3.74	94.9%
2002/03	3.25	4.22	77.0%	3.52	3.71	94.9%
2003/04	3.35	4.35	77.0%	3.47	3.66	94.8%
2004/05	3.40	4.36	78.0%	3.45	3.63	95.0%

Source: 1996/97 to 2002/03 from ABS; 2003/04 to 2004/05 Post estimates/forecasts.

Trade

Total orange exports for 2004/05 (April-March marketing year) are forecast to increase 36 percent to 150 TMT, in line with the rise in production. A sharp rise in the value of the Australian dollar, vis-à-vis the U.S. dollar, will reduce returns to producers from exports.

Total orange exports for 2003/04 are estimated at 110 TMT, down 20 percent from the previous year. Lower production and a firming Australian dollar contributed to the drop in exports. Official ABS figures have New Zealand, Japan and Hong Kong as the three largest export markets in 2002/03 (on a volume basis.)

Official Australian Bureau of Statistics (ABS) figures show exports in 2002/03 at 136 TMT. Lower average quality constrained export levels in a year of historically high production and relatively favorable currency exchange rates.

Australia imports small quantities of oranges from the United States, Spain and Egypt. In 2002/03 imports totaled 9,428 TMT, roughly equivalent to just over one percent of domestic production. Imports from the United States currently account for around 87 percent of total orange imports. Imports from the United States are typically Californian Navels, which tend to dominate the premium end of the fresh citrus market. They are marketed on a counter seasonal basis to domestic production.

Consumption

Orange consumption in 2004/05 is forecast to increase to 174 TMT driven by improved production. Consumption is estimated at 134 TMT in 2003/04, down from the previous year, due to lower availability and strong export performance.

Official up-to-date consumption figures for citrus are unavailable. Historical ABARE figures show total consumption ranging from 78 – 210 TMT over the past decade. Anecdotal evidence suggests that the primary drivers for consumption are domestic production levels and competition from exports. Imports play a minor role in overall consumption levels.

Orange Juice

Production

Orange juice production in 2004/05 is forecast at 15,769 MT (concentrate equivalent), up 17 percent from the year-earlier level. This increase is in line with the forecast 17 percent increase in deliveries to processors. Post uses a standard conversion factor of 13 to convert fresh oranges to standard concentrate.

Orange juice production is estimated at 13,461 MT in 2003/04, derived from the 175,000 MT of oranges delivered to processors, according to industry reports. This is down dramatically from the 26,077 MT recorded for the previous year. Drought conditions in the lead up to the 2003/04 harvest, combined with an "off" production season, sharply reduced the availability of oranges suitable for processing

(PS&D tables refer to deliveries to processors in thousand metric tons (TMT), not in metric tons (MT) as indicated. All other figures are expressed in MT.)

Trade

Imports of orange juice in 2004/05 are forecast at 29,000 MT, up four percent from the 27,984 MT estimated for the previous year. Despite large increases in imports over the past decade, Post forecasts only an incremental increase in 2004/05. Brazil supplies nearly 80 percent of Australia's total orange juice imports.

Exports of orange juice in 2004/05 are forecast to increase 10 percent to 2,200 MT. Increased supplies of oranges suitable for processing are anticipated to drive this increase.

Consumption

Orange juice consumption in 2004/05 is forecast to increase around ten percent to 44,708 MT in concentrate equivalent, compared to the 40,404 MT achieved in the previous year.

Official up-to-date consumption figures are not available for orange juice. Historical figures published by the Department of Agriculture Fisheries and Forestry Australia show orange juice consumption at similar levels to Post estimates.

Policy

Market Access

Free Trade Agreements

Australia and Thailand announced in mid October 2003 that negotiations on a bilateral Free Trade Agreement (FTA) had been completed. The FTA is expected to be signed in the early part of 2004 and go into effect the beginning of 2005. Thailand's tariffs on citrus imported from Australia will be phased out over 5 – 10 years.

Australia is currently in the process of negotiating a Free Trade Agreement with the United States and is seeking greater access to the U.S. market for agricultural products, including for citrus. Currently, oranges exported to the U.S. attract a tariff of US 1.9 c/kg. Oranges imported to Australia enter duty free.

Quarantine

U.S. citrus is allowed into Australia from California, Arizona and Texas under established protocols; Florida citrus currently does not have access. Biosecurity Australia, the government organization responsible for quarantine policy, recently released a draft policy for the importation of citrus from the U.S. state of Florida. Sources anticipate the announcement of a final import protocol in the near future. If the final details permit such importation, shipments from Florida to Australia could take place as early as January 2004.

Australia recently granted access for citrus from Egypt and is presently working on import protocols for citrus from Italy.

Australia is permitted to export citrus to the United States, either from a fruit fly free area or subject to treatment. USDA recently approved a new regulation expanding the Australian fruit fly free zone. Citrus exported to the United States from this zone does not require cold treatment disinfestations.

South Africa gained access to U.S. orange market in 2000. Up until this point, Australia had a near-monopoly on the supply of Navel oranges in the North American off-season.

Industry Organization

Horticulture Australia Limited (HAL) is the industry services and export control body for the horticultural industry in Australia and is accountable to the Commonwealth government. HAL provides research and development and marketing and promotion services to the Australian horticultural industry and is responsible for administering export control arrangements. HAL, an industry-owned company, operates as a company limited by guarantee under corporations law.

HAL was established in February 2001 by the merger of two statutory authorities – the Horticultural Research and Development Corporation and the Australian Horticultural Corporation. This merger was legislated by the Commonwealth Horticulture Marketing and Research and Development Services Act 2000 ('The Act'). Transitional arrangements relating to the merger were contained in the Horticulture Marketing and Research and Development Services Bill 2000.

Under the new structure for HAL, the Citrus Industry Advisory Committee (IAC) represents the citrus industry and is responsible for the development of an industry investment and operating plan for the use of levy funds.

The Australian Citrus Growers Inc. (ACG) is the peak industry body for the Australian citrus industry. ACG is a federation of grower groups representing 2,500 of Australia's citrus producers. (ACG has recently moved to a Board structure with proportional representation from each state and the Northern Territory.)

Citrus growers in the four major citrus producing regions in Australia are represented by regional citrus boards – Murray Valley Citrus Marketing Board, Citrus Board of South Australia, Murrumbidgee Irrigation Areas (MIA) Citrus Fruit Promotion Marketing Committee (trading as Riverina Citrus), and Queensland Fruit and Vegetable Growers. Each of these boards was established through legislation, which set out their general functions and statutory powers.

The Australian Citrus Industry Council Inc. represents the interests of various sectors of the citrus industry, including: the growers through the ACG; the juice processors, manufacturers

and marketers through the Australian Fruit Juice Association; and the packers and marketers of fresh citrus through the National Citrus Packers Association.

Citrus Export Control Powers

The Australian citrus industry uses export control powers in some citrus markets, including the United States. Under the Commonwealth's Horticulture Marketing and Research and Development Services Act 2000, a specified horticultural product, or market, can be declared to be a regulated product, or market. It is, therefore, an offence for a person to export a declared product to a declared market unless that person has a license and complies with the license conditions.

Horticulture Australia Limited administers the export control powers, including the licensing scheme for citrus. Licenses are currently required for sales of citrus to four markets -- the United States, Taiwan, Thailand and the Republic of Korea. Licenses are granted subject to compliance with conditions contained in the relevant 'Corporation Permission'. The single importer arrangement was introduced for exports to the United States in June 1992, upon Australia gaining access to the U.S. market for navel oranges.

Export control arrangements vary depending on the particular export market. For the United States, license conditions stipulate that citrus exporters use a single import agent -- DNE World Fruit Sales Inc. (DNE, a U.S.-owned company, is located in Fort Pierce, Florida.) In the other three markets, exporters must deal with a number (from three to 14) of licensed importers. License conditions may also provide for additional restrictions on packaging and labeling, transport, and minimum quality standards.

DNE is required to handle any product offered to the United States by any licensed Australian exporter. Commercial terms are negotiated between DNE and the exporter. Currently, essentially all Australian citrus exported to the United States is handled through Riversun Export Pty. Ltd., although this is not a requirement of the export control powers. Australian exporters and packers formed Riversun in 1992 as an umbrella organization under which citrus would be exported to the United States. Riversun is now comprised of about 30 member companies, representing the bulk of Australia's packers and exporters.

At the start of the shipping season, DNE and Riversun determine a 'marketable volume' for the U.S. market. This is then distributed between exporters in the Riversun group on the basis of past history and performance. Individual exporters retain ownership of the fruit, which is supplied on consignment. Other exporters negotiate commercial terms with DNE on their own right.

In 2002, Australia's Productivity Commission issued a report on the citrus growing and processing industry that included specific recommendations on export control powers. (The report arose out of concerns about the commercial outlook for the Australian citrus industry and the impact of frozen concentrated orange juice imports and whether a formal safeguard investigation was warranted.) In their report, the Commission stated, "the benefits of the sole importer arrangement in the United States tend to be overstated, because of the influence of other factors on returns from that market". It was specifically recommended, "export controls should only be used in those markets where independent reviews can demonstrate, on the basis of clear criteria, that such powers generate benefits which exceed the costs and which cannot be achieved without the powers". After considering the Commission's report, the Commonwealth Government chose to continue export control regulations for the industry.

Government Support for Exports

The Commonwealth has a number of general export assistance programs that are available for use by the citrus industry, including: the Export Market Development Grants scheme, Export Access, Tradestart and Export Finance and Insurance Corporation (EFIC). The Export Market Development Grants scheme provides a taxable grant for up to 50 percent of marketing and promotion expenses incurred in export markets. Funding for the scheme is capped at \$150 million a year. Export Access provides training and practical assistance for the development of export markets to small and medium-sized businesses. Tradestart is designed to improve access to the export assistance services of Austrade. EFIC is a Commonwealth statutory authority that provides credit and finance services to exporters.

Citrus Industry Levies

Levies are assessed to fund citrus research and development (R&D) and market development activities. Levies are usually applied at the first point of sale and are collected by the Commonwealth government on a cost recovery basis and the Commonwealth matches grower levies for R&D on a one-for-one basis. Horticulture Australia Ltd. manages the levy funds through input from the citrus Industry Advisory Committee (IAC). The citrus IAC represents the citrus industry in developing an investment and annual operating plan for R&D and marketing activities funded by levies.

Currently, national citrus levies are A\$2.00 per metric ton (MT) on all citrus for R&D and A\$0.75 per MT on oranges for marketing and promotion. The total of grower levies collected per year averages about A\$1.9 million, which results in a marketing program of about A\$400,000 and R&D projects of about A\$2.5 million (including matched funds.) Citrus growers may also pay regional levies, which are used for activities of state or regional boards and may be used for assisting with national domestic promotion and regional R&D.

To fully fund the Citrus IAC Strategic Plan for 2002-2007, ACG is calling for an increase in citrus levies. If approved through a grower vote, the levy on mandarins would be raised to A\$8.00 per MT, from the current A\$2.00/MT, and would be applied to R&D (A\$3.00/MT) and to marketing (A\$1.50/MT). The levy on all other citrus would be increased to A\$4.50/MT, from the current A\$2.75/MT on oranges only, and would be applied to R&D (A\$3.00/MT) and to marketing (A\$1.50/MT).

SECTION TWO: STATISTICAL TABLES

Fresh Oranges

Australia Fresh Oranges							
		Revised	2002	Estimate	2003	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		04/2002		04/2003		04/2004	MM/YYYY
Area Planted	0	0	0	0	0	0	(HECTARES)
Area Harvested	0	0	0	0	0	0	(HECTARES)
Bearing Trees	6150	6767	6150	6800	0	6850	(1000 TREES)
Non-Bearing Trees	900	1160	900	1190	0	1140	(1000 TREES)
TOTAL No. Of Trees	7050	7927	7050	7990	0	7990	(1000 TREES)
Production	591	633	535	410	0	550	(1000 MT)
Imports	13	9	13	9	0	9	(1000 MT)
TOTAL SUPPLY	604	642	548	419	0	559	(1000 MT)
Exports	150	136	150	110	0	150	(1000 MT)
Fresh Dom. Consumption	180	167	153	134	0	174	(1000 MT)
Processing	274	339	245	175	0	235	(1000 MT)
TOTAL DISTRIBUTION	604	642	548	419	0	559	(1000 MT)

Import Trade Matrix Fresh Oranges			
Time Period	Yr End Mar	Units:	MT
Imports for:	2002		2003
U.S.	7786	U.S.	8210
Others		Others	
Spain	1151	Spain	754
Israel	2	Egypt	414
		Israel	40
		Italy	10
Total for Others	1153		1218
Others not Listed	24		0
Grand Total	8963		9428

Export Trade Matrix Fresh Oranges			
Time Period	Yr End Mar	Units:	MT
Exports for:	2002		2003
U.S.	16941	U.S.	21768
Others		Others	
Hong Kong	45996	Malaysia	31630
Malaysia	37860	Hong Kong	30176
Singapore	18013	Singapore	14079
Japan	6433	Japan	8073
New Zealand	5613	Taiwan	6222
Indonesia	3221	New Zealand	4678
Canada	1880	Indonesia	4260
Bangladesh	1216	Canada	3105
Sri Lanka	1194	Sri Lanka	2009
Rep of Korea	1132	Rep of Korea	1983
Total for Others	122558		106215
Others not Listed	6475		7959
Grand Total	145974		135942

Orange Juice

Australia Juice, Orange							
	2001	Revised	2002	Estimate	2003	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2002		07/2003		07/2004	MM/YYYY
Deliv. To Processors	274	339	245	175	0	205	(MT)
Beginning Stocks	7046	7046	7422	11260	7196	4705	(MT)
Production	20996	26077	18774	13461	0	15769	(MT)
Imports	28000	29628	29000	27984	0	29000	(MT)
TOTAL SUPPLY	56042	62751	55196	52705	7196	49474	(MT)
Exports	2620	2491	2000	2000	0	2200	(MT)
Domestic Consumption	46000	49000	46000	46000	0	45000	(MT)
Ending Stocks	7422	11260	7196	4705	0	2274	(MT)
TOTAL DISTRIBUTION	56042	62751	55196	52705	0	49474	(MT)

Import Trade Matrix Juice, Orange			
Time Period	Yr End Jun	Units:	MT
Imports for:	2002		2003
U.S.	0	U.S.	2798
Others		Others	
Brazil	14006	Brazil	23377
The Netherlands	160	The Netherlands	784
New Zealand	151	South Africa	657
Italy	112	Cuba	609
Portugal	26	Argentina	373
Thailand	24	Italy	270
Cuba	12	Pakistan	129
Hong Kong	8	Mexico	96
United Kingdom	5	France	93
South Africa	5	Germany	88
Total for Others	14509		26476
Others not Listed	27		354
Grand Total	14536		29628

Export Trade Matrix Juice, Orange			
Time Period	Yr End Jun	Units:	MT
Exports for:	2002		2003
U.S.	0	U.S.	0
Others		Others	
New Zealand	518	New Zealand	878
Japan	394	Japan	488
Indonesia	240	Hong Kong	198
Hong Kong	232	Indonesia	182
Malaysia	159	Singapore	129
Thailand	128	China	112
Singapore	107	Malaysia	100
China	96	Rep of Korea	93
Rep of Korea	79	The Philippines	54
The Philippines	78	Thailand	52
Total for Others	2031		2286
Others not Listed	258		204
Grand Total	2289		2490