

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Australia**

### **Citrus Annual**

#### **Citrus Annual 2015**

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**Report Highlights:**

The citrus industry is one of Australia's foremost horticultural industries and the largest exporter of fresh fruit. The harvest of fresh oranges in 2015/16 is forecast at 455,000 metric tons, slightly above the previous year. Good seasonal conditions and improved access to water irrigation in recent years have supported production. Australia is a counter-cyclical exporter of oranges to northern hemisphere markets while the United States exports oranges during Australia's off-season. Over 2015, Australia's newly-signed free trade agreements with China, Japan and Korea were ratified with significant benefits expected for citrus exporters which may now be more competitive with U.S. citrus exporters into these markets.

**Commodities:**

Orange Juice

Oranges, Fresh

**Planted Area and Climate Outlook**

Australia's citrus growing industry is situated mainly along the Murrumbidgee and Murray Rivers, with over ninety percent of plantings in the Riverina, Sunraysia and Riverland irrigation areas of New South Wales, Victoria and South Australia. These regions produce both eating (Navel) and juicing (Valencia) oranges. The Central Burnett region in Queensland is a major region for mandarins, lemons and limes. There are also smaller plantings in Western Australia and the Northern Territory. The States of NSW and South Australia account for forty and thirty percent respectively of national production. Almost all citrus production occurs in the Murray-Darling Basin irrigation region.

Over 25,000 hectares of citrus have been planted in Australia by 1,500 commercial growers. An estimated 21,000 hectares are for orange production, of which 12,000 hectares are Navel trees and the rest are Valencia trees. Harvesting of Navel oranges occurs from June to October; and from November to February for Valencia oranges. Mandarins are available from April to October and are grown mainly in Queensland. Grapefruit, lemons and limes are available all year but especially from January to April.

Over the last decade, droughts in South Australia and the Murray Darling Basin and import competition led to the removal of a significant number of citrus orchards. The number of Valencia trees of bearing-age fell from 4.2 million in 1994 to 3.7 million in 2000 and to 2.8 million in 2014. Reduced water allocations during the drought contributed to lower citrus yields from 61 kg/tree in 2000 to 39 kg/tree in 2011. Since then, better rainfall has improved water storage levels and yields have generally recovered. In addition, tree density and productivity per tree have been increasing. It takes eight years for citrus trees to reach maturity. There is an average of 400-600 trees per hectare in Australian citrus groves.

**Production**

Australia's orange crop harvest for 2015/16 is forecast at 455,000 MT, slightly above the previous market year. Total citrus production depends on growing conditions, water availability and heat variations especially. Over 2015, Australia experienced a drier than normal climate influenced by El Niño-like conditions in the Pacific Ocean, but citrus growers were able to maintain sufficient access to water supplies to achieve above average production levels.

The main Australian orange varieties are Navel and Valencia, with the former usually sold fresh and the latter usually sold for juicing. Ninety percent of Valencia oranges are used to produce juice while Navel oranges are considered too bitter for juicing and are used for domestic consumption and exports. Over the last decade, growers have continued to switch away from Valencia oranges and towards Navel oranges and mandarins for the fresh fruit market.

The Australian citrus industry is comparatively concentrated, with one fifth of producers accounting for 90 percent of output; while 50 percent of growers account for only two percent of production. Citrus is harvested manually and must be picked on a regular basis. High labor costs and labor shortages in Australia have affected the industry's competitiveness but a more flexible visa system appears to be reducing the importance of the latter problem. In addition, capital investment in packaging and fruit sorting machinery has reduced the labor component in these processes and increased productivity.

### The Domestic Market for Orange Juice

Orange juice is made either from freshly squeezed fruit, stored concentrate or from stored juice. Juice from fresh fruit commands a price premium compared to juice made from concentrate. Orange juice is typically from Valencia oranges as navel oranges are more valuable as fresh fruit and their flavor may become bitter after storage. All Australian grown orange juice is chilled and sold as a premium product. Local producers do not compete in the long life and non-refrigerated juice products due to the significantly lower price in these market segments in which the juice is typically manufactured using imported frozen concentrate.

### Consumption

Most citrus fruits, such as oranges, tangerines, and grapefruits, are eaten or consumed as juices. Lemons and limes are mainly used in cooking and beverages. Fresh citrus is sold mainly on the domestic market and often directly to large supermarket chains or through the central fruit market system, while a growing share of orange and mandarin volumes are exported. Consumer preferences are gradually moving away from older orange varieties and towards sweeter and easier to peel seedless citrus varieties such as mandarins and some new varieties of navel orange.

Consumption of orange juice in Australia has fallen over the last decade, from 49,000 MT in 2005/06 to 41,000 MT in 2012/13 with a further fall to 39,500 MT forecast for 2015/16. Per capita annual consumption of citrus fruit has declined by over 20 percent over the last five years due partly to competition with other beverages, such as iced tea and sports drinks. Post expects that higher returns in fruit export markets will reduce the quantity of oranges available for processing into juice and orange juice production from locally grown oranges is forecast to decline slightly in 2015/16.

## Trade

The Australian citrus industry is export-oriented and has a competitive advantage in northern hemisphere markets such as Indonesia, China, Japan, Korea and the United States. As these exports are counter-seasonal, they do not compete with locally produced fruit. Exports for 2015/16 are forecast to reach a record of 190,000 MT due to higher production, increasing demand and lower tariffs in key markets such as Japan and China. In recent years, the United States has become a less important market for Australian citrus exports, which have refocused on the Asian region. China is now Australia's third-largest citrus export destination.

Australia imports fresh oranges during its summer season, when there is no local production. Imports of fresh oranges are predominantly from the United States. Previously Australian producers had a dominant share of the US market for imported out-of-season navel oranges (from May to September). Sales peaked at 30,000 MT in 2007 but then declined to below 10,000 MT due to the strong Australian dollar and significant competition from South Africa, Chile and Peru in the US market.

## Trade Policy Developments

### *The China-Australia FTA*

The China-Australia Free Trade Agreement (ChAFTA) was signed in November 2014 and was ratified in December 2015. Under the agreement, China's 11 to 30 percent tariff on oranges, mandarins, lemons and all other citrus fruits will be phased out within 8 years. The 7.5 to 30 percent tariff on orange juice will be phased out within seven years and tariffs of up to 30 percent on other fruit juices will be phased out within 4 years. China has been the fastest growing and highest valued export market for Australian exporters and these changes should benefit Australian exporters. Quarantine access protocols for citrus fruit entry into China have already been negotiated. There are no changes to Australia's domestic science and risk-based quarantine measures on Chinese citrus imports as a result of ChAFTA.

### *The Korea-Australia FTA*

The Korea-Australia FTA (KAFTA) was signed in April 2014 and entered into force in December 2014. Korean tariffs on counter-seasonal production were eliminated from January 2015. A tariff of 50 percent was cut to 30 percent on implementation and is being phased down to zero over 7 years. A 144 percent tariff on mandarins is being phased down to zero over 18 years. These tariff reductions only apply for Australia's counter-seasonal exporting season from April to September but are expected to boost exports.

## The Japan-Australia FTA

The Japan-Australia Economic Partnership Agreement (JAEPA) entered into force on 15 January 2015 and is expected to increase market access for Australian citrus exports. Under the terms of the agreement, tariffs on oranges and mandarins will be phased down over 10 and 15 years respectively. Orange tariffs during the peak of Australia's season (June to September) are currently 16 percent and 17 percent for mandarins. The grapefruit tariff of 10 percent will be eliminated in five years. These changes are expected to boost exports.

### Market Access

In November 2015, Australia and Thailand announced revised import protocols. In July 2015, Australia and Vietnam announced that market access for fresh orange and mandarin fruit into Vietnam had been restored after import suspension for Australian fresh fruit in January 2015.

### Production, Supply and Distribution Statistics:

Orange Juice Australia	2013/2014		2014/2015		2015/2016	
	Market Year Begin: Jul 2014		Market Year Begin: Jul 2015		Market Year Begin: Jul 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Deliv. To Processors</b>	119,000	119,000	110,001	115,000	0	100,000
<b>Beginning Stocks</b>	514	514	614	614	0	614
<b>Production</b>	9,500	9,500	9,000	9,500	0	9,000
<b>Imports</b>	32,000	32,000	32,000	31,500	0	31,500
<b>Total Supply</b>	42,014	42,014	41,614	41,614	0	41,114
<b>Exports</b>	1,000	1,000	1,000	1,000	0	1,000
<b>Domestic Consumption</b>	40,400	40,400	40,000	40,000	0	39,500
<b>Ending Stocks</b>	614	614	614	614	0	614
<b>Total Distribution</b>	42,014	42,014	41,614	41,614	0	41,114
MT						

Oranges, Fresh Australia	2013/2014		2014/2015		2015/2016	
	Market Year Begin: Apr 2014		Market Year Begin: Apr 2015		Market Year Begin: Apr 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	20,700	20,700	20,600	20,600	0	20,600
Area Harvested	20,700	20,700	20,600	20,600	0	20,600
Bearing Trees	9,350	9,350	9,350	9,350	0	9,350
Non-Bearing Trees	85	85	85	85	0	85
Total No. Of Trees	9,435	9,435	9,435	9,435	0	9,435
Production	430	430	430	430	0	455
Imports	16	16	20	30	0	35
Total Supply	446	446	450	460	0	490
Exports	126	126	145	145	0	190
Fresh Dom. Consumption	206	206	190	200	0	200
For Processing	114	114	115	115	0	100
Total Distribution	446	446	450	460	0	490
	20,700	20,700	20,600	20,600	0	20,600
HECTARES, 1000 TREES, 1000 MT						

## Quarantine and Phytosanitary Issues

### *Food Standards for Citrus*

In 2012, Food Standards Australia New Zealand assessed the safety of carbendazim residues in orange juice and recommended the maximum residue limit be changed from 10 mg/kg to 0.2 mg/kg and this lower MRL was subsequently approved in the Australian New Zealand Food Standards Code. Importers were expected to comply with the new requirements for orange juice and orange juice concentrate from January 2014. The Australian Department of Agriculture tests imported orange juice for compliance with the food standards code and reports on the results of this testing. State and Territory governments have responsibility for ensuring that all food, including imported food, meets the requirements of the food standards code.

## Marketing Arrangements in the United States

The traditional single importer arrangement for the export of citrus to the United States of America has been replaced with an Australian Citrus to United States Export Marketing Program, at the request of the citrus industry. The export marketing program will set a minimum price payable by exporters to packers on the recommendations of a committee that consists of citrus industry participants. The marketing program will operate until 31 January 2015.

**Chart 1: Citrus production areas in Australia**



Source: Citrus Australia, see: <http://www.citrusaustralia.com.au/industry/our-industry.htm>