

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 12/11/2014

GAIN Report Number: AS1428

Australia

Citrus Annual

2014

Approved By:

Hugh Maginnis, Agricultural Counselor

Prepared By:

Roger Farrell, Agricultural Specialist

Report Highlights:

Citrus is one of Australia's foremost horticultural industries and the largest exporter of fresh fruit. The harvest of fresh oranges in 2014-15 is forecast at 430,000 tons, largely unchanged from the previous year. Improved access to water irrigation in recent years has supported production, but unseasonal in early spring led to fewer than expected buds, resulting in a decline in likely volumes. Australia is a counter-cyclical exporter of oranges to northern hemisphere markets while the United States exports oranges during Australia's off-season. Over 2014, Australia signed free trade agreements with China, Japan and Korea which will significantly benefit citrus exporters.

Commodities:

Orange Juice

Oranges, Fresh

CITRUS**Planted Area and Climate Outlook**

Australia's citrus growing industry is situated mainly along the Murrumbidgee and Murray Rivers, with over ninety per cent of plantings in the Riverina, Sunraysia and Riverland irrigation areas of New South Wales, Victoria and South Australia. These regions produce 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 per cent respectively of national production. Almost all citrus production occurs in the Murray-Darling Basin irrigation region. An industry survey of the planted area for the citrus industry is scheduled for March 2015.

Over 28,000 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, 3.7 million in 2000 and 2.8 million in 2011. Reduced water allocations during the drought also contributed to a fall in per tree citrus yields from 61.2 kg/tree in 2000 to 39.0 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 and there are 400 to 600 trees per hectare on average.

In late 2014, the Bureau of Meteorology forecast a drier than normal summer over northern, eastern and central Australia. Climate influences include El Niño-like conditions in the Pacific Ocean and average to cooler than average waters surrounding northern Australia. Nevertheless, citrus growers have reasonable access to water supplies following good spring and early summer rainfall. Water storage levels in the key Murray River basin of NSW were around 60-75 per cent at the end of the year.

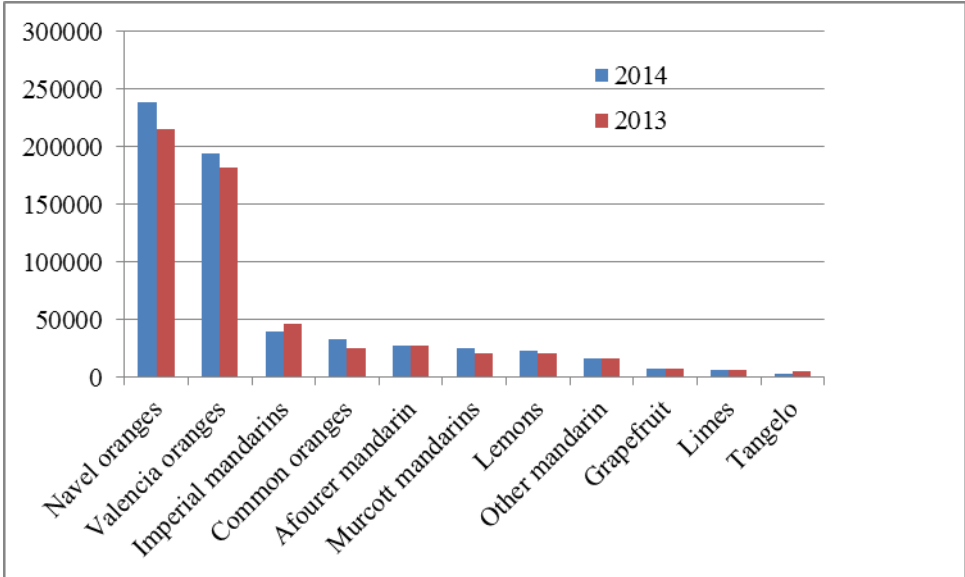
Production

Australia’s orange crop harvest for 2014-15 is forecast at 430,000 tonnes, level with the previous market year from April 2014 to March 2015. This has been revised down seven per cent because of the very warm spring from September to November, which led to a significant drop off of buds. Total citrus production depends on growing conditions, water availability and heat variations especially in early 2015.

The main Australian orange varieties are Navel and Valencia, with the former usually sold fresh and the latter usually sold for juicing. Ninety per cent of Valencia oranges are used to produce juice while Navel oranges are considered too bitter for juicing. Over the last decade, growers have continued to switch away from Valencia oranges and towards Navel oranges and mandarins for the fresh fruit market. In 2000, total Australian citrus production was 640,000 tons but declined to 430,000 tons in 2014. There was a two thirds fall in the volume of Valencia oranges due to competition from frozen orange juice concentrate (FOJC) imports, especially from Brazil.

The Australian citrus industry is comparatively concentrated, with one fifth of producers accounting for 90 per cent of output, while 50 per cent of growers account for only two per cent 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 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.

Chart 1: Australian citrus production by variety, 2014 (metric tonnes)



Source: Citrus Australia

Chart 2: Citrus production areas in Australia



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

The Orange Juice Market in Australia

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 also less appropriate for juicing as the flavor may become bitter after storage. All Australian orange juice is chilled and sold as a premium product. Local producers do not compete in the long life and non-refrigerated juice products because of the significantly lower price in these market segments which are manufactured using imported Frozen Concentrate Orange Juice (FCOJ).

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 tonnes in 2005 to 41,000 tonnes in 2012 and 40,000 tonnes in 2014. Per capita annual consumption of citrus fruit has fallen by over 20 per cent over the last 5 years. This trend has occurred because of competition with other beverages such as iced tea and sports drinks.

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 2014-15 are forecast to reach 150,000 tons, up from 127,000 tons the previous year. The major markets were Japan, Hong Kong, the United States 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. Exports to China grew tenfold in 2012–13, tripled in 2013–14 and China is now Australia's third-largest citrus export destination. Japan's imports of Australian oranges fell to 25,000 MT in MY2012, but reached 34,500 MT in MY 2013.

Australia imports fresh oranges during its summer season, when local production does not occur. 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 tonnes in 2007 but then declined to below 10,000 tonnes, partly because of the strong Australian dollar and competition from South Africa, Chile and Peru.

Production, Supply and Distribution Statistics:

Orange Juice Australia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2013		Market Year Begin: Jul 2014		Market Year Begin: Jul 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Deliv. To Processors	110,000	110,000	119,000	119,000		115,000
Beginning Stocks	223	223	514	514		614
Production	8,500	8,500	9,500	9,500		9,000
Imports	33,703	33,703	31,680	32,000		32,000
Total Supply	42,426	42,426	41,694	42,014		41,614
Exports	926	926	900	1,000		1,000
Domestic Consumption	40,986	40,986	40,344	40,400		40,000
Ending Stocks	514	514	450	614		614
Total Distribution	42,426	42,426	41,694	42,014		41,614
MT						

Oranges, Fresh Australia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Apr 2013		Market Year Begin: Apr 2014		Market Year Begin: Apr 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	20,843	20,843	20,843	20,700		20,600
Area Harvested	20,000	20,000	20,843	20,700		20,600
Bearing Trees	9,359	9,359	9,400	350		9,350
Non-Bearing Trees	126	126	85	85		85
Total No. Of Trees	9,485	9,485	9,485	435		9,435
Production	435	435	465	430		430
Imports	18	18	18	31		30
Total Supply	453	453	483	461		460
Exports	133	133	140	127		150
Fresh Dom. Consumption	210	210	224	220		200
For Processing	110	110	119	114		110
Total Distribution	453	453	483	461		460
HECTARES, 1000 TREES, 1000 MT						

Trade Policy Developments

Australia exported twelve containers of oranges to China in 2011 and this increased rapidly to 120 containers in 2012 and 420 containers in 2013. For the 2014 season, Citrus Australia estimates the volume could reach 1,000 containers. In June 2014, industry body Citrus Australia and the Chinese Agricultural Wholesale Market Association (CAWA) signed a MOU to improve citrus trade arrangements. CAWA is China's largest agricultural distributor with over 300 members and accounts for 70 per cent of fruit and vegetable trade in China.

The China-Australia FTA

The China-Australia Free Trade Agreement (ChAFTA) was signed in November 2014 and is expected to be implemented in 2015. Under the agreement, China's 11 to 30 per cent tariff on oranges, mandarins, lemons and all other citrus fruits will be phased out within 8 years. The 7.5 to 30 per cent tariff on orange juice will be phased out within seven years and tariffs of up to 30 per cent 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 as quarantine access protocols for citrus fruit entry into China had 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 is expected to be implemented in 2015. Korean tariffs on counter-seasonal production will be immediately eliminated. The current tariff of 50 per cent will be cut to 30 per cent on implementation and then phased down to zero over 7 years. The 144 per cent tariff on mandarins will be phased down to zero over 18 years. These tariff reductions will only apply during Australia's exporting season from April to September.

The Japan-Australia FTA

Japan was Australia's largest market for citrus in 2013. Under the Japan-Australia Economic Partnership Agreement (JA-EPA), 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 per cent and 17 per cent for mandarins. The grapefruit tariff of 10 per cent will be eliminated in five years.

Quarantine and Phytosanitary Issues

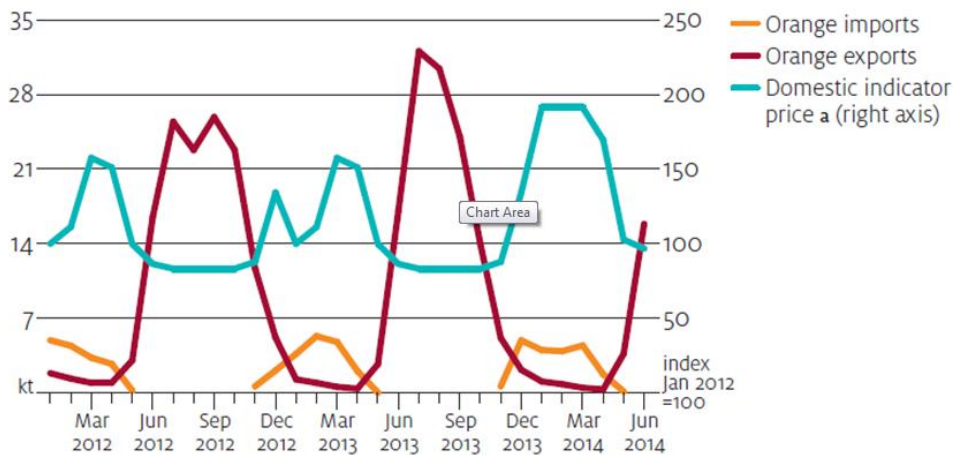
Food Standards for Citrus

In 2012, Food Standards Australia New Zealand assessed the safety of carbendazim residues in orange juice and recommended the maximum residue limit be lifted 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 3: Australian exports and imports of oranges by month, 2013-14

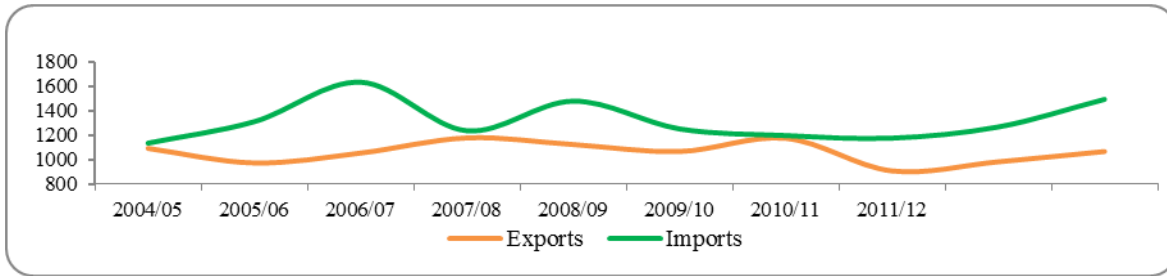


a Melbourne wholesale markets average navel price.

Source: DATAFRESH, Fresh State Limited, Melbourne Markets

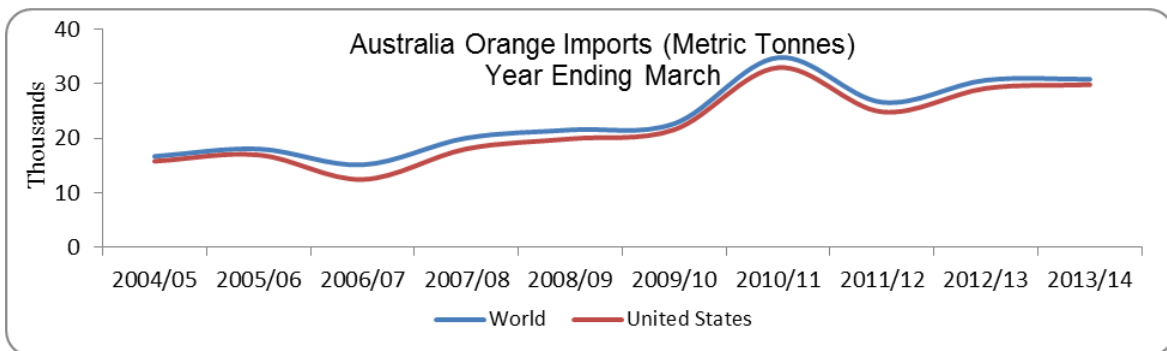
Source: ABARES (2014).

Chart 4: Australian Orange Exports vs Imports, A\$ per tonne, year ending March



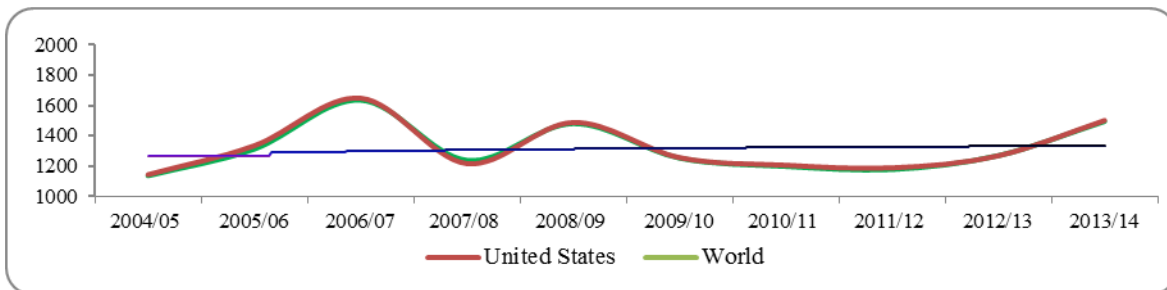
Source: World Trade Atlas, updated December 2014.

Chart 5: Australia Orange Exports (Metric Tonnes) year ending March



Source: World Trade Atlas, updated December 2014

Chart 6: Australian Orange Imports, A\$ per tonne, year ending March



Source: World Trade Atlas, updated December 2014.