

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Australia

### Stone Fruit Annual

#### 2014

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**Report Highlights:**

Cherry production for 2014-15 is forecast to expand to 18,000 MT, 12 per cent above the previous year, with the harvest area significantly revised upwards. Higher production is driven by improved seasonal conditions, especially in Tasmania, combined with rising prices in key export markets. Production of peaches and nectarines is expected to decline below 100,000 MT in 2014-15 due to adverse market conditions. These stone fruit gained entry to the Australian market in July 2013 and U.S. shipments are expected to increase further in the future. These are counter-seasonal to local production and allow a continuous supply to the market.

**Commodities:**

Fresh Cherries,(Sweet&Sour)

Fresh Peaches & Nectarines

**INDUSTRY OVERVIEW**

The stone fruit industry in Australia is dominated by cherry, peach and nectarine production, with smaller apricot and plum orchards. The industry is labor-intensive and mostly seasonal. It comprises many small-scale family farms, although there is a growing trend towards medium to larger scale operations. Victoria, New South Wales and Tasmania are the major stone fruit producers. Most of the harvest occurs during summer, with nectarines available from November to April, peaches from September to May and cherries from November to February. In value terms, cherry production exceeds A\$100 million in value, with peaches and nectarines (typically called “summer fruit”) about twice this total, although recent data are unavailable.

Production of stone fruit has grown over the past 10 years, with the majority of this growth directly attributable to prospective export demand. However, extended drought throughout 2010 was followed by the wettest season on record in 2011 and these events caused significant damage and crop losses to the stone fruit industry. More recently, better than expected rainfall has improved prospects for some segments of the stone fruit industry. Around 80 per cent of stone fruit are sold fresh to the metropolitan wholesale markets in Brisbane, Sydney, Melbourne and Adelaide. Smaller quantities are marketed in Perth and Hobart. A small but increasing quantity is exported, at prices well above that in domestic markets, especially for cherries.

Between 2002 and 2012, apparent per capita domestic consumption of processed fruit decreased in Australia fell by around 40 per cent, while per capita consumption of fresh fruit such as cherries, peaches and nectarines increased by over ten per cent. Increased demand for fresh fruit in Australia instead of canned fruit has occurred as fresh fruit supplies increased due to better storage and transportation methods. The volume of stone fruit processed by the cannery industry has declined from over 60,000 tonnes in 2005 to less than 40,000 tonnes in 2013. Cannery stone fruit, such as clingstone peaches in the Goulburn Valley, cannot be easily switched to fresh fruit markets and suppliers have reduced their tree holdings in response.

In 2013, Australia was the seventh largest market for U.S. stone fruit in volume terms, the fourth largest market in value terms and is likely to become more important in the future. Consumers and retailers have welcomed these imports, especially as they are counter-seasonal and do not impact adversely on local production. Overall, these supplies are likely to have improved the domestic market for stone fruit since supplies are now available on a more continuous basis.

## CHERRIES

### Overview

Australian cherries are available from mid-to-late October to late February and are produced in six states, with New South Wales, Victoria and Tasmania as the three largest producers. Tasmania has had a rapid expansion in plantings and has a strong export focus, enhanced by its relative pest and disease free status. Both Western Australia and Queensland are relatively small producers primarily focusing on the domestic market. The number of cherry growers in Australia has been steady at just under 500, with 2,845 hectares under production nationally. This estimate represents a significant increase on previous reporting and reflects new estimates from the Cherry growers Association. Output of cherries is expected to increase over the next 3-5 years, as more mature trees become available.

**Table 1: Structure of the Australian cherry industry, 2014**

State	Industry indicator		
	Number of farms	Area (ha)	Production (tonnes)
NSW	108	800	4,407
Victoria	95	800	4,500
Tasmania	76	560	4,000
South Australia	118	590	2,500
Western Australia	70	70	500
Queensland	18	25	36
Total	485	2,845	15,943

Source: Australian Cherry Growers Association (2014).

### Production

The Australian cherry industry is a comparatively small producer of cherries, with about one per cent of world output, but has a higher share of exports. Locally produced cherries supply demand during the Australian season, supplemented by imported cherries out of season, predominately from the United States. Cherries are grown throughout southern Australia and the main areas are the Young, Orange and Bathurst regions of New South Wales, the Dandenong Ranges of Victoria, the Mt. Lofty Ranges and Riverland area of South Australia and the Huon and Derwent Valleys of Tasmania.

The cherry industry is a mix of small orchards and new, more extensive orchards. Many orchards are family operations but larger commercial farms account for the majority of hectares under cultivation. In the 2013 year, around 14,000 tonnes of cherries were placed onto the market, an increase of over 35 per cent on the previous year. Provided that seasonal conditions remain favorable, production is forecast to increase to 16,000 tons in 2014 and to 18,000 in following years. With new cherry plantings, production could reach 20,000 tonnes by 2020.

## Consumption

The cherry industry's long-term vision is to increase the consumption of fresh Australian cherries by encouraging the impulse purchase of the fruit and by promoting the health credentials of cherries. The industry launched its current campaign 'Cherish the Moment' in the 2012 season. In 2013, Australians consumed 11,000 tonnes of cherries and over 20 per cent were reportedly purchased in the week leading up to Christmas.

Consumer research suggests that cherries are largely an impulse buy. The key drivers for purchasing cherries are quality and price, followed by the firmness of cherries, whether the fruit is blemish-free and another key factor is the color of the cherries. Research by the industry also found that almost 90 per cent of cherries are consumed fresh. Consumers were found to have a low awareness of the country of origin of cherries. Most consumers buy cherries in summer while the Australian fruit is in season and tend not to buy cherries during winter when the US fruit is in season. Supermarkets are the usual purchasing channel for cherries.

## Trade

The domestic market accounts for 80 per cent of production, but exports are steadily increasing. Almost 3,000 tonnes of cherries were exported in the 2013 season and this figure is likely to be exceeded in 2014. Over 1,900 tonnes were exported from Tasmania alone, which is certified as free from fruit fly infestation. Immediately after harvest cherries are hydro-cooled and packed into 2kg and 5kg cartons designed to meet export market protocols.

Almost all cherry imports into Australia are from the United States and Californian exporters in particular. They are mostly marketed from July to September and therefore do not compete directly with Australian grown cherries but provide consumers with a more continuous supply of fruit through the year, thereby maintaining and reportedly increasing overall domestic demand for this form of stone fruit.

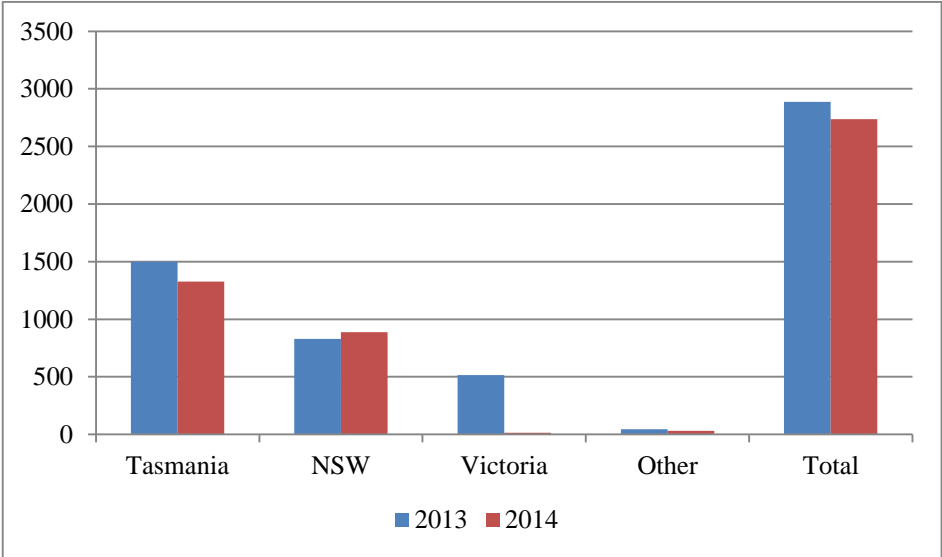
### *Australian Cherry Exports*

The Australian cherry industry produces between 10,000-15,000 tonnes of cherries worth about \$100 to \$140 million annually and currently exports around one fifth of production to about 30 markets. Most are counter-seasonal exports into the Asian region via airfreight. The industry is aiming to increase exports to at least half of production to Asian markets and its main competitors are Chile, New Zealand and South Africa.

In 2014, Australian cherry exports reached 2,737 tonnes worth A\$39 million, a 5 per cent decline in the record volumes of the previous year, but 25 per cent higher by value, with unit values increasing to around A\$14 per kilo due to strong demand. Hong Kong accounted for 43 per cent of exports with 1,180 tonnes, followed by Taiwan with 475 tonnes and Singapore with 286 tonnes. There were 151 tonnes exported direct to China. Tasmania accounted for 49 per cent of exports in 2014, with 1,328 tonnes, followed by NSW with 848 tonnes and Victoria with 488 tonnes. Taiwan and China were

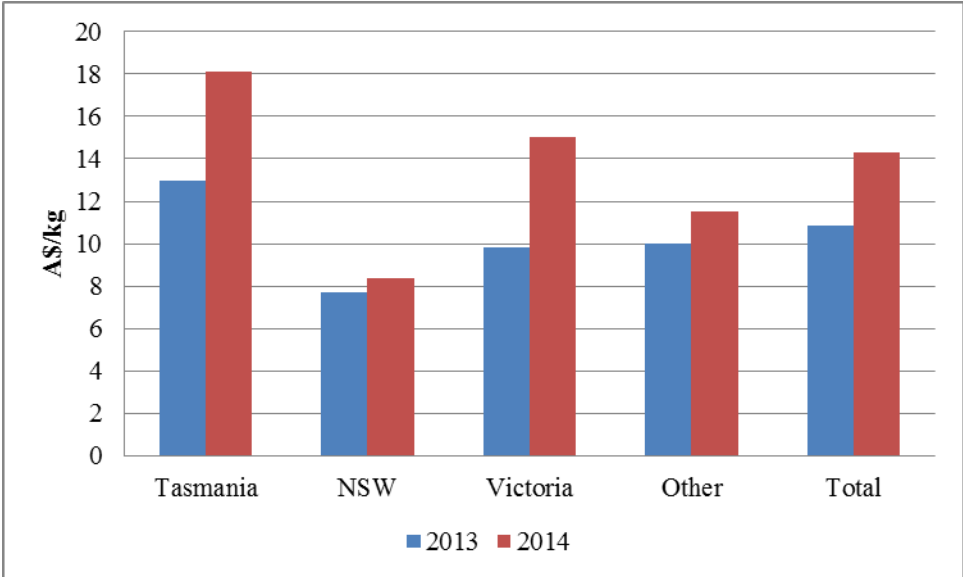
supplied only from Tasmania. Australian cherry exports to the United States market are possible under an existing bilateral import protocol but are not seen as being commercial due to airfreight costs.

**Chart 1: Exports of Australian cherries by State, 2013 to 2014 ('000 tonnes)**



Source: Australian Cherry Growers Association (2014)

**Chart 2: Average prices for Australian cherry exports, by State (A\$/kg)**



Source: Australian Cherry Growers Association (2014)

Tasmania has a strong export focus, enhanced by its relative pest and disease freedom. Tasmania has national and international recognition for Area Freedom status for Fruit Fly. This recognition provides access to a number of international markets where stringent import regulations are in place including Japan, South Korea and Taiwan. As an island, and with the strict quarantine controls, Tasmania is also recognized free from a number of important pests and diseases including fire blight. Reduced pest and disease pressure also means low level use of chemicals.

### *Australian Cherry Imports*

Australia is a growing market for U.S. cherries and in 2009, a record 2,334 metric tons of cherries valued at \$15.6 million were shipped, compared with \$1.4 million a decade earlier when the market first opened. By 2002, imports had reached 3,700 tonnes and it was expected that over 5,200 tonnes would be exported from the United States to the Australian market. However, in 2013, Australia imported only 2,300 tonnes of U.S. cherries due to weather related impacts which affected export supplies. Most cherry imports arrive between July and September and are counter-seasonal to local production. Overall imports are expected to increase by around 10 per cent annually from 2013.

The opening of the Western Australian cherry market came later than for the eastern coast, with the first consignment in July 2011. Western Australian consumers have supported these imports as they have fewer fruit choices in winter, during the U.S. supply season, as WA state quarantine barriers even exclude fruit from the eastern states.

### *Recent Market Access Negotiations*

Under the Korea-Australia Free Trade Agreement (KAFTA), which was signed in May 2014, a tariff of 8 per cent will be eliminated on cherries. The Japan-Australia Economic Partnership Agreement (JAPEA) provides for the immediate elimination of the seasonal tariff on cherries of 8.5 per cent between November and February. In addition, Australian international negotiators were successful in removing technical barriers to exports of stone fruit, as shown below:

- Market access for Australian stone fruit to Thailand was restored following the release of new import conditions in January 2014.
- Following an audit by Chinese officials, market access was granted to newly-registered Tasmanian cherry growers and pack houses in January 2014. Prior to this, a 'Protocol of Phytosanitary Requirements for the Export of Fresh Cherry fruit from Australia to China' was signed in order to meet Chinese quarantine standards.
- In August 2014, Australia's cherry industry regained access to the Thai market, following the release of new import conditions that mitigate the risk of fruit fly entering Thailand. Under the new import protocols, cherries need to be sourced from pest free areas, or undergo cold treatment before arriving in Thailand.

**Table 2: Market access and protocol requirements for Australian cherry exports by country**

### Country protocol requirements for exports of cherries

Entity to be registered	Protocol	China	Taiwan	Thailand	Japan (TAS only)	Korea (TAS only)
Orchard	Area freedom	Yes	Yes	Yes	Yes	Yes
	Cold treatment	Yes	Yes	Yes	N/A	N/A
Pack house	Area freedom	N/A	Yes	Yes	Yes	Yes
	Cold treatment	Yes	Yes	Yes	N/A	N/A
Treatment facility	Area freedom	N/A	N/A	N/A	N/A	N/A
	Onshore cold treatment	Yes	Yes	Yes	N/A	N/A

Source: Australian Department of Agriculture (August, 2014).

## FRESH PEACHES AND NECTARINES

### Overview

Over 1,200 Australian orchards produce around 100,000 tonnes of “summer fruit” or peaches and nectarines between October and April each year. Early season produce comes from sub-tropical Queensland (one fifth of total production), northern Western Australia and New South Wales (NSW). This is then followed by crops from mid to southern NSW, parts of Victoria such as Swan Hill and then by the Riverland of South Australia. Fruit from the cooler climates is last to market. Overall Renmark, Swan Hill and the Goulburn Valley (Shepparton and Cobram) represent over half of Australia’s summer fruit production.

In recent years, the peach and nectarine industry has been affected by adverse weather patterns, the high Australian dollar and changing consumer preferences away from canned fruit. With revenue expected to decline by around 5 per cent in 2014, some fruit growers have left the industry while others have decided to pull up productive trees to reduce capacity and lower costs associated with maintaining these assets. As smaller producers exit the industry, larger and more efficient growers are able to expand their operations.

### Production

Production of peaches and nectarines has been difficult to estimate in recent years due to incomplete surveys and levy coverage. In 2012 output was forecast at around 100,000 MT due to worsening seasonal conditions but production was estimated at 130,000 MT for 2013 as better rainfall returned although farm-gate prices fell significantly as supply increased. For 2014, it is expected that supplies will moderate because of lower prices and industry rationalization, with a return to the previous year’s tonnage of around 100,000 MT likely. Accordingly, the area planted is expected to fall by around 5 per cent in the 2014 season to less than 1,800 hectares.

One reason for this decline is the decline of demand for peaches and nectarines from fruit processors in Australia. Processed fruit production in Australia is concentrated in the Goulburn Valley region in Victoria and between 2008 and 2013 there was a substantial decrease in production volumes.

The local processing industry claimed that increased imports had been the main cause of declining demand for its products but the [Productivity Commission](#) found that changing consumer tastes were the main reason for this trend. Over the past five years, retail sales of processed fruit have declined by over 20 per cent due to changing consumer preferences toward more convenient processed food alternatives. An additional factor has been the greater availability and reduced relative prices for fresh fruit in Australia.

In the 2014 season, the main processor announced a 50 per cent reduction in the intake of peaches for canning due to declining domestic demand for processed fruit. Growers responded to the reduced fruit intake by the canning industry by removing trees as the clingstone (processing) varieties they grew were unsuitable for fresh markets, due to consumer preferences for freestone peaches and nectarines. Large-scale tree removal was undertaken by some producers because of the higher fixed costs of monitoring and eliminating pests and diseases, such as fruit fly.

## Trade

### *Exports of Peaches and Nectarines*

Australian market access for stone fruit from California and the Pacific Northwest of the United States was granted in mid-July 2013. The first imports of U.S. peaches and nectarines arrived in August 2013 with 2,671 tonnes from California. Total U.S. exports of stone fruit to Australia are forecast reach \$50 million within five years. U.S stone fruit is counter-seasonal to Australian production and does not compete directly with Australian fruit.

### *Exports of Peaches and Nectarines*

Total exports of peaches and nectarines in marketing year 2013 were previously forecast to reach 9,000 MT, but declining overall production and possibly the high Australian dollar has slowed the expansion of exports. In 2013, Australian exports of peaches and nectarines reached 7,450 tonnes, up 17 per cent and should increase by around 10 per cent to over 8,000 tonnes in 2014. Hong Kong remains the single largest export market for Australian stone fruit (accounting for over 40 percent of total exports) followed by the United Arab Emirates and Singapore. Exports to Taiwan have not yet recovered from the disruption to market access in 2009.



## Imports of Peaches and Nectarines

Imports of U.S.-grown peaches and nectarines into Australia began from July 2014, when market access was approved although the season was fairly short. Mainly California peaches and nectarines were exported to Australia following the approval of quarantine protocols involving Phytosanitary requirements to prevent threat of pests being carried with the fruit. U.S. exports must be airfreighted and producers in California typically ship these stone fruit until mid-September. Both peaches and nectarines are sold by Australia's largest retailers, Coles and Woolworths, through mid-October when local production is unavailable.

In 2014, ten Californian firms registered to import fruit, up from three the previous year and leading Australian retailers managed their own import programs. One U.S. wholesaler noted that while demand for Californian peaches and nectarines was strong, plentiful supplies had driven down prices. Surveys have also found that Australian demand for these stone fruit is considerably lower during winter than in the opposite season. Imports from the United States are forecast to increase by around ten per cent in 2014.

**Table 3: Australian Trade in Peaches and Nectarines, 2011 to 2013 (tonnes)**

### Exports

Country	2011	2012	2013
Hong Kong	2,220	3,135	3,522
UAE	1,069	1,593	2,105
Singapore	635	795	704
Other	1,090	2,437	1,119
World	5,014	6,369	7,450

### Imports

Country	2011	2012	2013
United States	0	0	2,667
New Zealand	0	5	5
World	0	5	2,672

Source: *Global Trade Atlas (2014)*.

Under the Japan-Australia Economic Partnership Agreement (JAPEPA) which was signed in April 2014, a tariff of six per cent on peaches will be eliminated over seven years. The full schedule of tariff concessions is available at <http://www.dfat.gov.au/fta/jaepa>

## Other Developments

In recent years, the Australian government has [reviewed](#) the use of agricultural and veterinary chemicals and is likely to decide to phase out fenthion, one of the main chemicals used to control fruit fly in stone fruit. Tasmania is unaffected as it is certified as fruit fly free, but growers in other States are expected to adopt a fruit fly management strategy which is likely to be similar to that currently used in California.

**PRODUCTION, SUPPLY AND DISTRIBUTION STATISTICS**

Fresh Cherries,(Sweet&Sour) Australia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Nov 2012		Market Year Begin: Nov 2013		Market Year Begin: Nov 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1,350	2,700		3,000		3,120
Area Harvested	1,225	2,600		2,845		3,100
Bearing Trees	2,300	4,900		5,400		5,900
Non-Bearing Trees	300	500		540		600
Total Trees	2,600	5,400		5,940		6,500
Commercial Production	12,000	14,000		16,000		16,000
Non-Comm. Production	0	0		0		0
Production	12,000	14,000		16,000		16,000
Imports	3,700	2,300		2,500		2,800
Total Supply	15,700	16,300		18,500		18,800
Fresh Dom. Consumption	13,700	14,300		15,612		16,060
Exports	2,000	2,000		2,888		2,740
For Processing	0	0		0		0
Withdrawal From Market	0	0		0		0
Total Distribution	15,700	16,300		18,500		18,800
HA, 1000 TREES, MT						

Fresh Peaches & Nectarines Australia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Nov 2012		Market Year Begin: Nov 2013		Market Year Begin: Nov 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1,950	1,950		1,850		1,750
Area Harvested	0	0		0		0
Bearing Trees	2,500	4,300		3,600		3,400
Non-Bearing Trees	300	300		250		250
Total Trees	2,800	4,600		3,850		3,650
Commercial Production	132,000	130,000		100,000		100,000
Non-Comm. Production	0	0		0		0
Production	132,000	130,000		100,000		100,000
Imports	0	0		2,672		3,000
Total Supply	132,000	130,000		102,672		103,000
Fresh Dom. Consumption	86,000	84,000		75,222		75,000
Exports	9,000	9,000		7,450		8,000
For Processing	37,000	37,000		20,000		20,000
Withdrawal From Market	0	0		0		0
Total Distribution	132,000	130,000		102,672		103,000
HA, 1000 TREES, MT						

## REFERENCES

- Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES, 2014), *Australian Commodities*, June quarter, Canberra [link](#)
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## DEFINITIONS

Area Harvested	Land surface in hectares
Total supply	Beginning Stocks + Production + Total Imports
Consumption	Domestic consumption is directly sold to markets and excludes exports but includes imports. Typically stocks of fresh stone fruit are negligible.
Distribution	Total Distribution + Total Exports + Domestic Consumption + Ending Stocks