USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 12/7/2011
GAIN Report Number: AS1131

Australia

Citrus Annual

2011

Approved By:
Joseph Carroll, Agricultural Counselor

Prepared By:
Mike Darby, Agricultural Specialist

Report Highlights:
Australia's harvest of fresh oranges in 2012 is forecast at 440,000 metric tons, largely unchanged from last year's production level. Continued improvement in water irrigation supplies is expected to support back-to-back robust production levels. A record high Australian dollar, coupled with some quality issues associated with the 2011 crop, limited exports to an estimated 95,000 tons for the April 2011/March 2012 season. During the same period, imports of fresh oranges are estimated at a record 24,000 tons, virtually all of which were imported from the United States.

Summary:

Australia's 2012 orange crop (MY April 2012-March 2013) is forecast at 440,000 tons, largely unchanged from the 2011 production level as the continued improvement in the water supply situation is expected to support another bumper crop. The 2012 crop has finished flowering and is presently in the early fruit set stage. Total production will be dependent upon growing conditions and "fruit drop" in the lead-up to the 2012/13 harvest, which is expected to commence in April 2012.

Total exports of oranges are expected to increase modestly in 2012/13, with exports to traditional markets, such as the United States continuing to decline and exports to Japan continuing to increase. In the past year, the Australian dollar has achieved record high valuations against the US dollar and this has placed downward pressure on exports to the United States, historically Australia's largest export market.

The Australia citrus industry, like all Australian horticultural industries, continues to face the long-term trend of steadily declining planted area and tree numbers. High input costs for production, including labor, coupled with the impact of the decade-long drought have led to reduced area and tree numbers. The Australian citrus industry will likely continue to rely on steadily increasing tree density as well as improved productivity per tree in order to maintain production levels and total industry value.

Improvements in the irrigation water supply situation which began with the breaking of the drought in CY 2010 is expected continue through the 2012 harvest season.

Despite some currently cool weather conditions, an improvement in crop quality is expected for the 2012 harvest. Last summer, mild conditions in some places caused the 2011 crop to suffer from a lack of brightness in color, which according to industry sources led to a higher proportion of production going into processing. Despite total production remaining relatively unchanged, an anticipated improvement in crop quality in 2012/13, is expected to lead to a corresponding decrease in deliveries to processors.

Australia's "Murray-Darling Basin" (MDB) refers to the water catchment area in eastern Australia which contains the Murray and Darling Rivers, and their many tributaries. The MDB is of critical importance to Australian agriculture, representing nearly 40 percent of national agricultural income and accounting for 95 percent of citrus production. The Murray Darling Basin Authority (MDBA) recently published the "Plain English summary of the proposed Basin Plan". The draft plan has proposed significant cuts in irrigation water use. Farmers and other members of the rural communities affected by the MDB plan have reacted strongly to the proposed cuts in irrigation water, maintaining that the government has favored environmental objectives over the economic and social sustainability of rural communities within the MDB. The National Farmers Federation, in response, has joined with other industry groups to lobby the Federal Government for a more balanced approach to managing water resources in the MDB.

Commodities:
Oranges, Fresh
Orange Juice

Planted Area

Planted area is forecast to decline slightly to 19,400 hectares in 2012/13. Improved rainfall and irrigation water supplies are likely to see planted area fall only slightly, as compared to the much larger declines in area evidenced during the long running and severe drought which began in 2002/03.

The long-term trend for citrus is largely in-line with most other horticultural industries in Australia. A steady decline in the area planted to citrus as well as a decline in the total number of trees (although area is falling slightly faster than tree numbers as overall density increases) has mostly been balanced by improved productivity per tree. Over the past decade, poor profitability and severe drought have encouraged growers to exit the industry and this is driving the overall decline in area and tree numbers. The Valencia variety, which has traditionally been processed for juice, has been the most commonly removed citrus tree over this period.

Going forward, the decline in tree numbers is expected to slow down. Improved water supplies and improved prices for oranges delivered to processors will partially limit the decline going forward.

The Australian citrus industry is currently developing a set of national statistics which are likely to be competed in the coming months.

Fresh Orange Production

Total fresh orange production for 2012/13 (year begin April 2012) is forecast at 440,000 MT, largely unchanged from the revised estimate for the previous year. Normal weather conditions and greater availability of irrigation water are expected to maintain production at an above average level despite 2012/13 being an "off" year in the bi-annual production cycle.

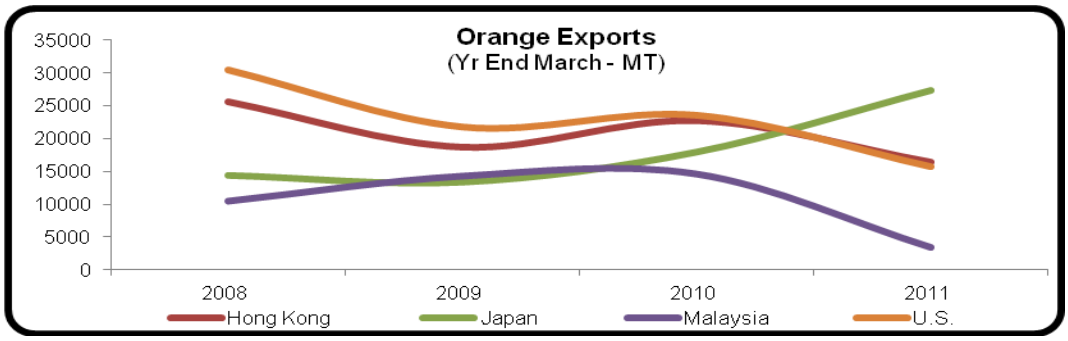
Post's estimate of the 2011 crop was revised upwards to 440,000 MT, in-line with industry sources. Improved seasonal conditions, including the wettest spring on record, dramatically increased yield per tree and this pushed overall production upwards despite lower tree numbers and planted area.

Industry sources have advised that 2011/12 was an unusually mild season, which led to some quality downgrades including a lack of brightness of color. Consequently, the estimate for deliveries to processing was revised upwards slightly to account for reduced average crop quality.

Exports

Total exports of fresh oranges for 2012/13 (year begin April 2012) are forecast at 100 TMT, up slightly from the revised estimate for the previous year. Production is expected to remain largely unchanged in 2012 and this is expected to largely constrain growth in exports. However, the expected improvement in quality should support a slight increase in exports in 2012/13.

Over the past year, the Australian dollar has appreciated significantly against the U.S. dollar, with Au$1 = US$1.03. In response to the relatively higher prices, exports to the US have fallen well below previous expectations. Despite the dollar easing somewhat at time of writing this report, the Austalian dollar is expected to remain strong throughout the 2012/13 season. This will likely see exports to the US, traditionally Australia's largest market, continue at lower levels.



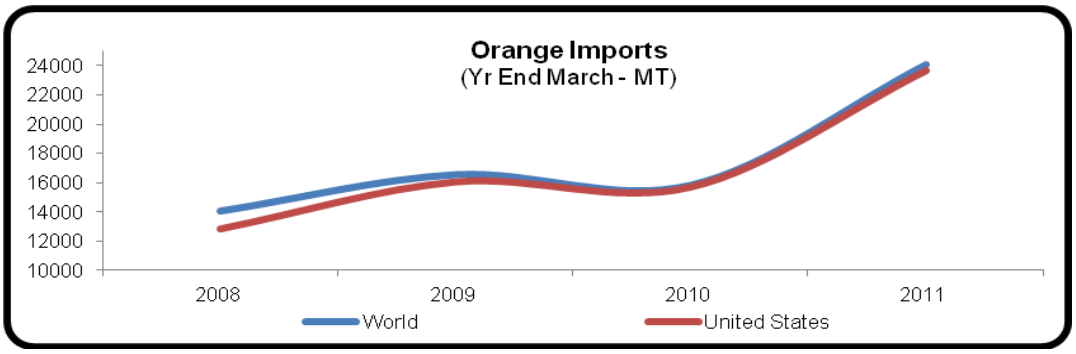
Source: WTA Data

In 2011/12 orange exports to the United States as a share of total orange exports declined to around 20 percent, compared to 24 percent in 2008/09. During the same period, exports to Japan increased from around 12 percent of total exports to 31 percent.

The Australian citrus industry continues to use a single importer to market its export product in the United States. This structure, first used when Australia gained access to the U.S. market in the early 1990's, is viewed by industry leaders to be successful. A recent industry report highlighted moves by a leading US exporter to reduce its importers in Japan from 10 to just a single importer as likely to be successful.

Imports

Imports of oranges for 2012/13 are forecast at 24 TMT, unchanged from the record level imported in the previous year. The strong Australian dollar has supported record imports of U.S. oranges in 2011/12, and despite the dollar easing somewhat, is expected to see imports remain at record high levels for 2012/13.



Source: WTA Data

Juice Production

Juice production for 2012/13 (year begin July 2012) is forecast at 10,000 MT, down slightly on the estimate for 2011/12. Improved overall quality of the 2012 crop is likely to see delivery of oranges for processing to decrease somewhat over the coming year.

Estimated juice production for 2011/12 (year begin July 2011) remains unchanged at 10,769 MT. A decline in average crop quality and better prices for processing oranges have contributed to relatively higher juice production in 2011/12.

Juice exports

Despite a slight easing in production, exports for 2012/13 (year begin July 2011) are forecast to remain unchanged at 1,100 MT. Although historically high, a slight weakening of the Australian dollar should allow exports to increase slightly as a proportion of overall production.

Juice Imports

Total juice imports are forecast to increase slightly to 31,000 TMT in 2012/13 due to continued growth in demand. Juice imports are expected to continue to grow in line with the domestic economic growth.

Recent Reports from FAS/Canberra

The reports listed below can all be downloaded from the FAS website at:
http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx

Title of Report	Date
Grain and Feed Update – November 2011	11/01/11
Dairy Annual 2011	10/14/11
Sugar Semi Annual 2011	09/16/11
Livestock and Products Annual 2011	08/31/11
FAIRS Country Report	08/17/11
Stone Fruit Annual 2011	08/11/11

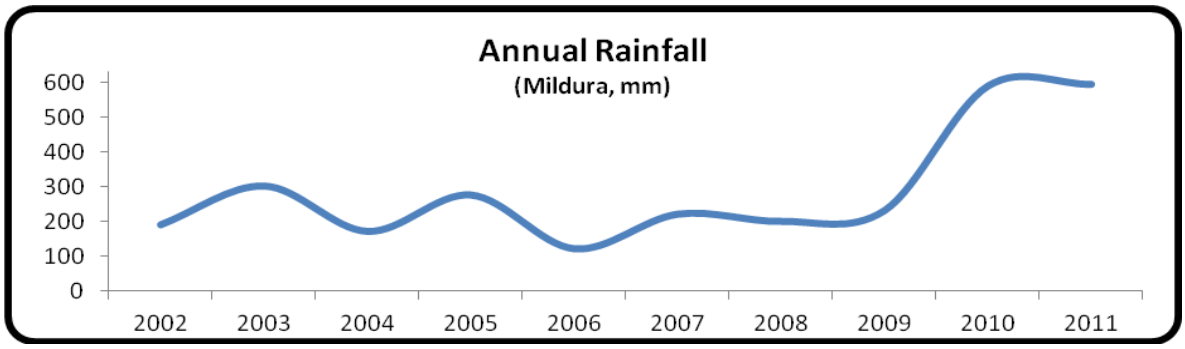
Production, Supply and Demand Data Statistics:

Oranges, Fresh	2009/2010		2010/2011		2011/2012	
Australia	Market Year Begin: Apr 2010		Market Year Begin: Apr 2011		Market Year Begin: Apr 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	19,600	19,600	19,500	19,500		19,400
Area Harvested	16,850	16,850	16,700	16,700		16,600
Bearing Trees	7,355	7,355	7,300	7,300		7,255
Non-Bearing Trees	1,197	1,197	1,190	1,190		1,180
Total No. Of Trees	8,552	8,552	8,490	8,490		8,435
Production	380	380	430	440		440
Imports	19	16	18	24		24
Total Supply	399	396	448	464		464
Exports	96	89	120	95		100
Fresh Dom. Consumption	198	202	188	219		234
For Processing	105	105	140	150		130
Total Distribution	399	396	448	464		464
HECTARES, 1000 TREES, 1000 MT						

Orange Juice	2009/2010		2010/2011		2011/2012	
Australia	Market Year Begin: Jul 2010		Market Year Begin: Jul 2010		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Deliv. To Processors	105,000	105,000	140,000	140,000		130,000
Beginning Stocks	359	359	166	166		835
Production	6,923	6,923	10,769	10,769		10,000
Imports	30,732	30,732	30,000	30,000		31,000
Total Supply	38,014	38,014	40,935	40,935		41,835
Exports	848	848	1,100	1,100		1,100
Domestic Consumption	37,000	37,000	39,000	39,000		40,000
Ending Stocks	166	166	835	835		735
Total Distribution	38,014	38,014	40,935	40,935		41,835
MT						

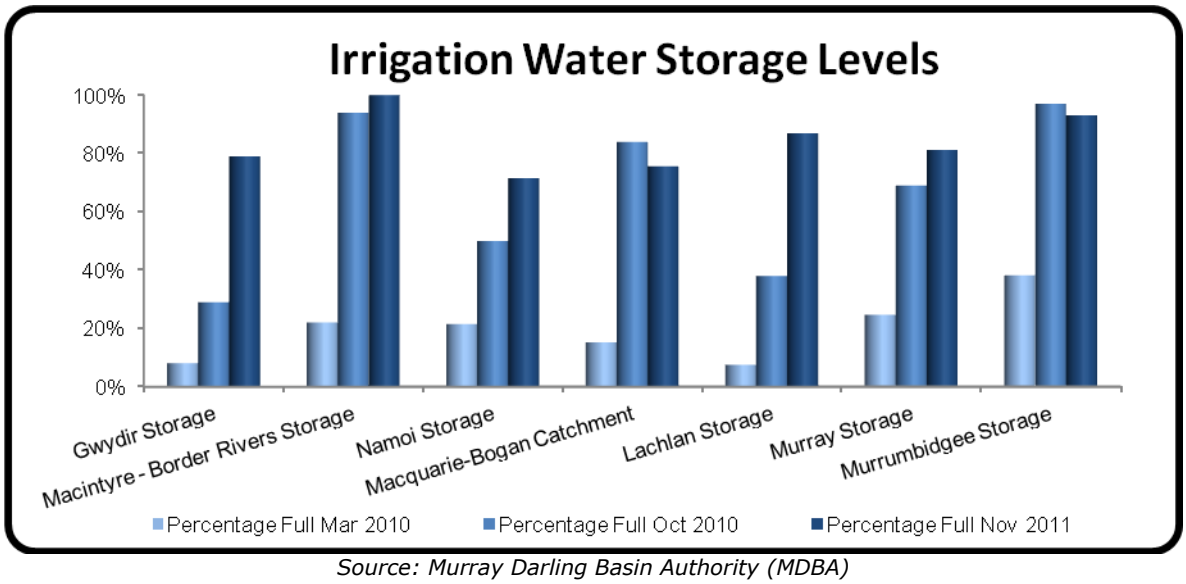
Water, Water, Water

Increased rainfall, flooding and improved irrigation water storage levels experienced throughout CY 2010 have continued into CY 2011. Despite some dry conditions midway through CY 2011, heavy rainfall and some local flooding have been experienced toward the end of CY 2011. Going forward, long term weather forecasts indicate an increased probability of above average rainfall indicating that current above average rainfall will likely persist into the first half of CY 2013.



Source: Bureau Meterology Data

Despite citrus mostly relying upon irrigation for production, increased local rainfall can boost production prospects as producers require less irrigation water to maintain production targets and yield. As an example, the key Riverland citrus production area around Mildura has received excellent rainfall in CY 2011 and this looks likely to persist into CY 2012 and should provide support for overall citrus production leading into the 2012/13 harvest.



Source: Murray Darling Basin Authority (MDBA)

Irrigation water storage levels have improved significantly of the past two years, having reached record low levels during the drought which began in CY 2002 and persisted until the end of CY 2009. Many irrigators now have access to 100 percent of their water entitlement and this has boosted production prospects. Post expects water allocation to remain historically high leading up to the 2012/13 harvest and beyond.

Australia's Murray Darling Basin

Australia's "Murray-Darling Basin "(MDB) refers to the water catchment area in eastern Australia which contains the Murray and Darling Rivers, and their many tributaries. This geographical area covers three quarters of the state of New South Wales, half of the state of Victoria and some of Queensland. It includes 23 river valleys and is considered of critical importance to national ground water systems.

Just over two million people live in the MDB, or around ten percent of Australia's population. Excluding the nation's capital city, almost half of the people living in the MDB earn less than AU$400 per week – according to the Australian Bureau of Statistics (ABS) a higher proportion of the MDB population have a low socio economic index score compared with the rest of Australia. Agriculture accounted for around 10 percent of employment in the MDB compared to around three percent nationally.

The MDB is of critical importance to Australian agriculture, representing nearly 40 percent of national agricultural income despite covering only 14 percent of Australia's land area. According to the ABS, 84 percent of the land in the basin is owned by businesses engaged in Agriculture. The gross value of agriculture production is estimated at AU$15 billion with irrigated agriculture representing AU$4.6 billion. Irrigation is a key feature of the MDB, which accounts for around two thirds of Australia's irrigated land and consumes two thirds of Australia's irrigation water.

In terms of Australia's individual agricultural crop production, the MDB accounts for around 100 percent of rice production, 95 percent of citrus production, 62 percent of pig meat production and 48 percent of wheat production.

The Proposed Murray Darling Basin Plan

The Murray Darling Basin Authority (MDBA) recently published the "Plain English summary of the proposed Basin Plan". This draft plans lays out the framework for improving the environmental health of the MDB by setting a long-term environmentally sustainable level of take of water from its rivers of 10,873 giga-liters. This level will require a cut in irrigation water use of 2,750 giga-liters, or an average of 20 percent across the MDB. Of this cut, 1,068 giga-liters have already been achieved through buying back existing water entitlements and improving water handling efficiency.

This proposal has angered farmers and rural service providers throughout the MDB and has already provided angry scenes at public meetings, particularly in the more parochial irrigation areas of southern NSW. Farmers have sighted the lack of attention to the economic cost of cutting water entitlements for irrigation farmers.

Investigation by post has identified that the plan has failed to include socio-economic sustainability as a "management objective". Instead, the draft plan includes socio economic issues as an appendix only. The National Farmers Federation, in response has joined with other farm lobby groups to lobby the Federal Government for a more balanced approach.