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Citrus Annual

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Report Highlights:

Fresh orange production is estimated at 480,000 metric tons (MT) in 2017/18. Australia is a counter-seasonal exporter of mainly Navel oranges to north-Asian markets such as China and Japan while the United States exports Navel oranges during Australia's off-season. Post forecasts orange exports to reach 230,000 MT in 2017/18. Orange juice production and concentrate imports are forecast to remain stable.

Commodities:

Orange Juice

Oranges, Fresh

Executive Summary

Production of fresh oranges is forecast at 480,000 metric tons (MT) in 2017/18, the same as the previous year, assuming average seasonal conditions. Australia is a counter-seasonal exporter of mainly Navel oranges to north-Asian markets such as China and Japan, as the United States exports Navel oranges during Australia's off-season from December to February. Post forecasts orange exports of 230,000 MT for 2017/18. Post's new export estimate is a 27 percent increase from 2016/17 driven mostly by an upsurge in demand from China. Imports of Navel oranges, mainly from the United States, are expected to be steady in 2017/18 at 20,000 MT.

Orange juice production is expected to fall to 7,000 MT in 2017/18. The new Post estimate for 2016/17 is 14 percent below the official forecast due to a shortage of Valencia oranges, which are normally used for juicing, as well as lower domestic demand for reconstituted orange juice. Growers are moving away from planting juicing varieties such as Valencia oranges towards eating varieties like Navel oranges.

According to a trade source, export demand for Navels has been increasing and the financial returns to growers are significantly higher. Post forecasts imports of orange juice concentrate, mainly from Brazil, to remain at 31,500 MT in 2017/18, the same as last year.

ORANGES**Production**

Citrus production is a major horticultural sector in Australia and a leading export product. Orange producers dominate the citrus industry and are located along the Murrumbidgee and Murray Rivers in the Riverina, Sunraysia and Riverland irrigation areas of New South Wales (NSW), Victoria and, South Australia. These regions produce both eating (Navel) and juicing (Valencia) oranges. The Central Burnett region in Queensland produces mandarins, lemons, and limes. There are also smaller citrus plantings in Western Australia and the Northern Territory.

Fresh orange production is forecast at 480,000 metric tons in 2017/18 assuming average seasonal conditions and the availability of moderately priced irrigation water. More than 20,000 hectares of orange orchards have been planted in Australia; of which around 12,000 hectares are Navels and the balance are Valencia trees. Valencia oranges are mainly grown for juice production while Navels are an eating variety, which is in strong demand for exports. Three quarters of Valencia oranges are processed into fruit juice for the domestic market.

Different varieties of Navel oranges are produced in various regions and harvesting begins in April, with peak production in July and August, and ends in October. Orange trees may take up to three to four years before significantly bearing fruit, but it takes six to eight years for citrus trees to reach maturity and peak production. Production techniques from Spain such as pruning and targeted fertilizer

applications are being adopted to boost early production and yields, especially by larger orchards. However, yields vary significantly across the industry.

Figure 1: Orange Exports to Japan 2013-2017 (MT)

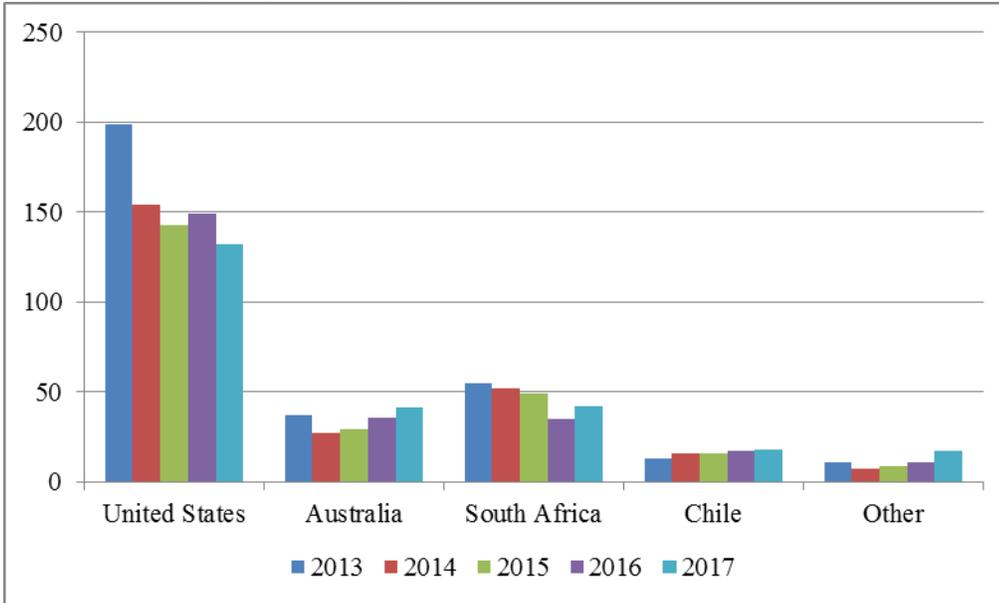
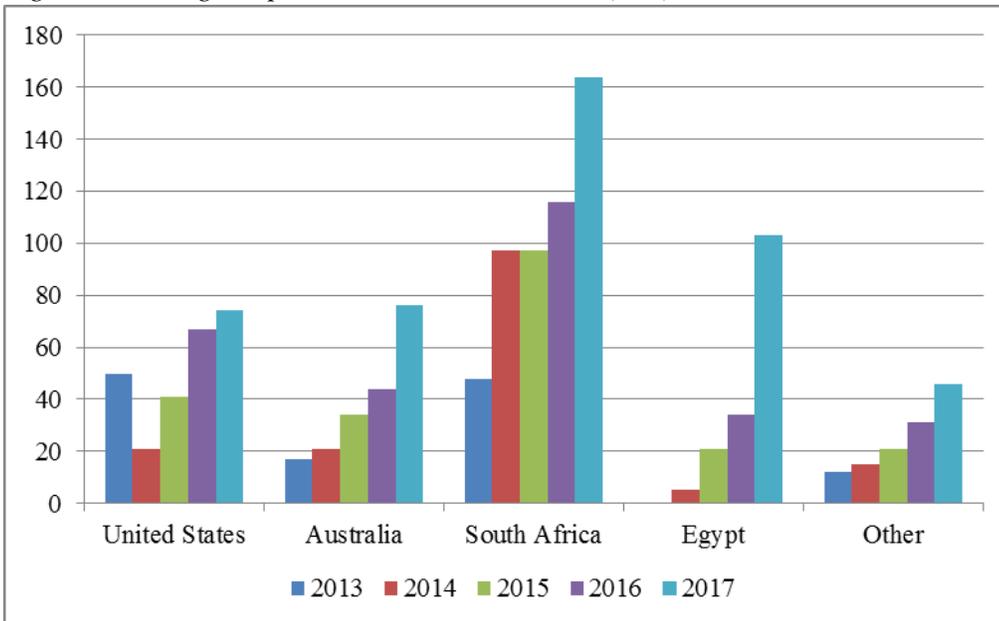


Figure 2: Orange Exports to China 2013-2017 (MT)



Source: World Trade Atlas.

Planting acreage for Navel orange orchards has been increasing in Australia while the orchard area for Valencia oranges has fallen. Expansion of new orchards is relatively slow as nurseries currently need up to two to three years to supply trees and biosecurity regulations prevent the importation of tree stock. Total production of oranges depends on growing conditions, water availability, and heat fluctuations over the growing season. Australia's orange industry is free from the citrus greening disease (Huanglongbing or HLB), which has affected some citrus regions in other countries.

In recent years, investment in modern packing line technology has improved production efficiency for large fruit processors. Packing houses, which focus on exports, now use traceability, quality assurance systems, refrigerated storage and transportation to ensure better quality. Utilization of fruit grading technology is also on the rise, which helps improve fruit appearance and accurately identifies color and blemishes.

Furthermore, orange orchard owners are increasingly utilizing cutting edge drip fertigation technology, which allows farmers to determine the best application of water and fertilizer. In some orchards, "beneficial" insects are released to control pests so that agrichemical sprays need be applied only if outbreaks occur.

Consumption

Post forecasts Australian domestic orange consumption in 2017/18 to remain at 210,000 MT, the same as in the previous year. Post revised domestic consumption in 2016/17 as orange supplies declined as a result of farmers switching their focus on export markets, where prices were significantly higher.

Navels oranges are generally large and seedless and mature earlier than other oranges. Navels grow best in sub-tropical Mediterranean climates rather than cold climates. Navels are grown mainly as fresh eating fruit as the juice becomes bitter after a few hours, making it unsuitable for juicing. There are many different varieties of Navels, which allows an extended harvest period.

Australian consumers are gradually moving away from eating older orange varieties, such as Leng and Fisher, and towards sweeter and easier to peel seedless citrus varieties, such as Washington Navels and new varieties such as Cara Cara and Blood oranges. Domestic sales are usually made directly to large supermarket chains or through central fruit markets. Citrus consumption usually increases from June to August.

Trade

Post forecasts Australian orange exports for 2017/18 to hover around 230,000 MT. Exports in 2016/17 were revised upwards by Post as a result of much stronger than expected international demand, primarily from China. China is now Australia's largest export market, overtaking Japan. In November 2017, China agreed to amend its import conditions for Australian citrus, which could expand future exports. The new import conditions recognize South Australia's Riverland region as free from fruit flies and it requires Australian exporters to utilize colder disinfestation temperatures.

Oranges account for around 80 percent of Australian citrus exports, with the balance consisting of mandarins, lemons, and grapefruit. Exports of Navel oranges usually commence in June and end in

October. Australian orange exports are typically packaged in 18-kilogram fiberboard containers. A shipping container has the capacity to hold 1,260 cartons or 22 MT of fruit. Shipments of Australian citrus to China by container take three weeks by sea, reportedly one of the shortest transit times for Southern Hemisphere citrus producers.

Post forecasts orange imports in 2017/18 to remain at 20,000 MT, the same as the previous year. Australia imports fresh oranges during its summer season, when there is no local production. The United States is the predominant supplier during this period. U.S. exports of Californian Navel oranges to Australia have been affected by biosecurity restrictions because of thrip infestations.

ORANGE JUICE

Production

Post forecasts 60,000 MT of fresh oranges will be processed into juice for 2017/18. Total orange juice production is forecast to remain at 7,000 MT in 2017/18. Post revised the orange juice production data for 2016/17 to 7,000 MT, due to a shortage of Valencia oranges and lower domestic demand for reconstituted orange juice.

In 2017, the national shortage of Navel oranges for fresh juice production led a number of processors to import orange juice concentrate for mixing with available fresh juice. Some processors used labels on juice bottles to advise consumers on the use of concentrate. In mid-2018, Australia will introduce stricter country-of-origin labelling to all products, which will make it mandatory to label fruit juice made from either local or imported juice.

Growers have traditionally entered into 3-year contracts with juice processors for juice supplies, although shorter term contracts have been more common in recent years. Lower domestic prices offered by juice processors have encouraged farmers to switch to growing more profitable varieties such as Navel oranges and mandarins; away from Valencia oranges. This trend has resulted in smaller supplies for Valencia oranges, which is now impacting juice processors. In 2017, higher international demand for Valencia oranges has further reduced supplies for processing orange juice.

Consumption

Orange juice consumption has fallen over the last decade from 49,000 MT in 2005/06 to 41,000 MT in 2012/13. Post expects a further decrease to 38,000 MT for 2017/18. Post revised its orange juice consumption in 2016/17 to 38,000 MT due to the shortage of Valencia oranges and lower demand for reconstituted fruit juice. Per capita annual consumption of citrus fruit has declined over the last five years due to competition from other beverages such as iced tea and sports drinks. Health concerns are also driving consumers to move away from drinks with higher sugar content and imported concentrates.

Orange and apple juice are the most popular products on the Australian juice market, but many new competitive products have been introduced such as fruit and vegetable juice combinations, organic juice varieties, cold pressed juice, coconut water, and mixtures with other beverages. Valencia oranges are harvested in winter, but are mainly consumed as juice in the summer, thus, some processors have used

various storage systems for juice, apart from freezing. Juice can be pasteurized and stored juice in 1,000-liter bladders at low temperatures to maintain juice supplies over the year.

Trade

Australia exports small quantities of orange juice. Post estimates exports for 2017/18 at 500 MT, which was revised down from 600 MT in 2016/17. Processors import orange juice and concentrate to meet overall domestic demand. Post forecasts that imports of orange juice concentrate will be stable at 31,500 MT in 2017/18. Brazil is the main supplier of frozen orange juice concentrate (FOJC), which is the end product after removing the water content from fresh juice.

Production, Supply and Distribution Table, Fresh Oranges

Oranges, Fresh	2015/2016		2016/2017		2017/2018	
Market Begin Year	April 2016		April 2017		April 2018	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	20,600	20,600	20,600	20,600	0	20,600
Area Harvested	20,600	20,600	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 Number of Trees	9,435	9,435	9,435	9,435	0	9,435
Production	455	455	470	480	0	480
Imports	18	18	20	20	0	20
Total Supply	473	473	490	500	0	500
Exports	161	161	180	230	0	230
Fresh Domestic Consumption	235	235	240	210	0	210
For Processing	77	77	70	60	0	60
Total Distribution	473	473	490	500	0	500

(HECTARES), (1000 TREES), (1000 MT)

Note: Data reflect FAS/Canberra's assessments and are not official data.

Production, Supply and Distribution Table, Orange Juice

Orange Juice	2015/2016		2016/2017		2017/2018	
Market Begin Year	July 2015		July 2016		July 2017	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Delivered to Processors	77,000	77,000	70,000	60,000	0	60,000
Beginning Stocks	614	614	614	614	0	614
Production	8,100	8,100	8,100	7,000	0	7,000
Imports	32,200	32,200	31,500	31,500	0	31,500
Total Supply	40,914	40,914	40,214	39,114	0	39,114
Exports	800	800	600	500	0	500
Domestic Consumption	39,500	39,500	39,000	38,000	0	38,000
Ending Stocks	614	614	614	614	0	614
Total Distribution	40,914	40,914	40,214	39,114	0	39,114

(MT)

Note: Data reflect FAS/Canberra's assessments and are not official data.