Required Report - public distribution

Date: 12/4/2018
GAIN Report Number: AS1835

Australia

Citrus Annual

December 2018

Approved By:
Rey Santella, Agricultural Counselor

Prepared By:
Roger Farrell, Agricultural Specialist

Report Highlights:
Fresh orange production is forecast at 500,000 metric tons (MT) in 2018/19, down 3 percent on the estimate for the previous year. 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 at 215,000 MT, down 6.5 percent on the estimate for the previous year because of lower production. Orange juice production, mainly from Valencia oranges, is forecast to decline by 7 percent in 2018/19 while total imports of orange juice and orange juice concentrate are forecast to be stable.

Commodities:
Oranges, Fresh
Orange Juice

Executive Summary

Production of fresh oranges is forecast at 500,000 metric tons (MT) in 2018/19, down 3 percent on the estimate for the previous year. 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 215,000 MT for 2018/10, down 6.5 percent from the previous year because of lower production. Imports of navel oranges are expected to be steady in 2018/19 at 20,000 MT.

Orange juice production is expected to fall to 6,500 MT in 2018/19 due to a continuing 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 and export varieties such as navel oranges. Export demand for navels has been increasing and the financial returns to growers are significantly higher.

Australian growers have recently benefitted under new import rules to China. After lengthy negotiations, the Chinese government recognized the Riverland region as a pest-free area for all horticulture commodities in late 2017 including citrus. The fruit-fly free recognition to China means growers do not have to cold-treat their produce, which results in faster and direct shipment of fresher oranges.

The domestic orange juice market is mainly supplied using reprocessed frozen concentrated orange juice (FCOJ), although the relatively small fresh juice market segment is growing. Post forecasts imports of orange juice concentrate, mainly from Brazil, to be stable at 31,000 MT in 2018/19. Domestic consumption is expected to decline slightly to 37,000 MT in 2018/19 as consumers are gradually moving away from juice towards other beverages with lower sugar content.

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.

While export demand for navel oranges has increased, producers have faced higher costs for irrigation water. In November 2018, the total amount of water stored in the Murray Darling Basin's dams dropped below 50 percent compared to over 70 percent at the same time last year. For most citrus producing regions, such as the Riverina, producers have faced drier than average conditions and higher temperatures, with a similar outlook forecast for the period to January 2019. A number of frosts have occurred throughout all of the orange growing regions throughout the winter period. However, the effects of the frosts were minimal and caused only slight fruit damage in scattered areas.

Fresh orange production is forecast at 520,000 metric tons in 2018/19 assuming average seasonal conditions and the continued availability of irrigation water. Around 21,000 hectares of orange orchards have been planted in Australia; of which an estimated 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 internationally. 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.

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. 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 irrigation 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. The traditional standard density of citrus tree plantings is about 440 trees per hectare, planted at distances of from 3.4 meters up to 6.5 meters. Some growers are moving towards higher density and twin row planting to provide higher early yields.

Consumption

Post forecasts Australian domestic orange consumption in 2018/19 to be stable at 245,000 MT, the same as in the previous year. 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, 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 each year.

Trade

Post forecasts Australian orange exports for 2018/19 at 215,000 MT, down 6.5 percent on the estimate for the previous year because of lower production. 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. Australia now supplies the Japanese market for up to 48 weeks of the year, compared to around 22 weeks of the year a decade ago. The Costa company is the largest citrus exporter in Australia and 50-percent owned by a U.S. equity fund.

Table 1: Exports of Australian oranges, 2013-2018 ('000 MT)

	Calendar years					Year to August	
	2013	**2014**	**2015**	**2016**	**2017**	**2017**	**2018**
World	127	126	153	166	189	109	119
China	9	14	21	32	50	31	43
Japan	33	27	28	33	37	24	23
HK	30	28	41	26	25	9	16
Malaysia	12	12	11	12	13	7	4
UAE	3	4	8	9	8	4	1
Singapore	7	10	10	11	8	4	4
Philippines	1	3	4	5	5	3	3
India	1	3	2	1	5	3	1
US	11	7	8	6	5	4	4

Source: Global Trade Atlas (2018)

Table 2: Exports of Australian oranges, 2013-2018 (US$/MT)

	Calendar years					Year to August	
	2013	**2014**	**2015**	**2016**	**2017**	**2017**	**2018**
World	986	1,050	913	1,014	1,131	1,157	1,283
China	1,305	1,473	1,311	1,317	1,397	1,440	1,484
Japan	981	1,083	951	1,063	1,145	1,138	1.265
HK	843	848	726	751	916	902	909
Malaysia	871	893	797	860	896	885	1,027
UAE	627	648	659	686	820	789	872
Singapore	977	1,027	858	952	1,149	1,152	1,223
Philippines	863	841	786	862	873	873	1,004
India	739	721	637	676	762	769	849
US	1,309	1,661	1,273	1,411	1,459	1,437	1,590

Source: Global Trade Atlas (2018)

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.

Table 3: Australian imports of oranges, 2013-2018 ('000 MT)

	Calendar years					Year to August	
	2013	**2014**	**2015**	**2016**	**2017**	**2017**	**2018**
World	21	17	18	15	20	17	15
US	21	16	17	13	15	12	10
Egypt	-	-	-	1	5	5	4

Source: Global Trade Atlas (2018)

Table 4: Australian imports of oranges, 2013-2018 (US$/MT)

	Calendar years					Year to August	
	2013	**2014**	**2015**	**2016**	**2017**	**2017**	**2018**
World	1,280	1,430	1,347	1,275	1,283	1,237	1,260
US	1,282	1,436	1,369	1,315	1,467	1,428	1,472
Egypt	706	669	732	857	776	774	764

Source: Global Trade Atlas (2018)

Post forecasts orange imports in 2018/19 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 occasionally affected by biosecurity restrictions because of thrip infestations. In addition, the strength of the U.S. dollar could reduce U.S. exports in 2018/19.

ORANGE JUICE

Production

Total orange juice production is forecast to decline to 6,500 MT in 2018/19 because of the decline of Valencia orange production. 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.

Consumption

Orange juice consumption has continued to decline for over the last decade, from 49,000 MT in 2005/06 to a forecast of 37,000 MT in 2018/19. 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. Imported orange juice concentrate, which is reprocessed into orange juice, dominates the domestic market. In mid-2018, Australia introduced stricter country-of-origin labelling to all products, making it mandatory to label fruit juice made from either local or imported juice.

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 2018/19 to be stable at 500 MT. Processors import orange juice and concentrate to meet overall domestic demand. Post forecasts that imports of orange juice concentrate and other orange juice will be stable at 31,000 MT in 2018/19. Brazil is the main supplier of frozen orange juice concentrate (FCOJ), which is the end product after removing the water content from fresh juice. Post has estimated trade in FCOJ based on World Trade Atlas data and other sources.

Production, Supply and Distribution Table, Fresh Oranges

Oranges, Fresh	2016/2017		2017/2018		2018/2019	
Market Begin Year	April 2017		April 2018		April 2019	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	20,600	20,600	20,600	20,600	20,600	20,600
Area Harvested	20,600	20,600	20,600	20,600	20,600	20,600
Bearing Trees	9,350	9,350	9,350	9,350	9,350	9,350
Non-Bearing	85	85	85	85	85	85
Total Number of Trees	9,435	9,435	9,435	9,435	9,435	9,435
Production	480	480		515		500
Imports	21	21		20		20
Total Supply	501	501		535		520
Exports	191	191		230		215
Fresh Domestic Consumption	250	250		245		245
For Processing	60	60		60		60
Total Distribution	501	501		535		520
(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	2016/2017		2017/2018		2018/2019	
Market Begin Year	July 2017		July 2018		July 2019	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Delivered to Processors	70,000	70,000		60,000		60,000
Beginning Stocks	614	614		614		614
Production	7,000	7,000		6,500		6,500
Imports	31,500	31,500		31,000		31,000
Total Supply	39,114	39,114		38,114		38,114
Exports	500	500		500		500
Domestic Consumption	38,000	38,000		37,000		37,000
Ending Stocks	614	614		614		614
Total Distribution	39,114	39,114		38,114		38,114
(MT)						

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