

Required Report: Required - Public Distribution

Date: September 28, 2021

Report Number: AS2021-0019

Report Name: Fresh Deciduous Fruit Annual

Country: Australia

Post: Canberra

Report Category: Fresh Deciduous Fruit

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Report Highlights:

Australia's table grape production is expected to increase to 210,000 MT in marketing year (MY) 2021/22, from an estimated 200,000 metric tons (MT) in MY 2020/21. Despite expanded vine plantings in recent years now coming into fruiting, production has remained relatively flat since MY 2019/20. Reduced labor availability caused by the COVID-19 pandemic has not only impacted production but also reduced the volume of export-quality table grapes and subsequently increased the supply of table grapes on the domestic market. The shortage of shipping container availability and higher transportation costs (also largely attributed to the COVID-19 pandemic) contributed to lower exports in MY 2020/21 (120,500 MT) and are expected to constrain exports in MY 2021/22 (forecast at 130,000 MT). These volumes are both down significantly from the export record of 152,500 MT in MY 2019/20.

Executive Summary

Australia's table grape production is expected to increase to 210,000 MT in marketing year (MY) 2021/22, from an estimated 200,000 metric tons (MT) in MY 2020/21. Despite expanded vine plantings in recent years now coming into fruiting, production has remained relatively flat since MY 2019/20. Reduced labor availability caused by the COVID-19 pandemic has not only impacted production but also reduced the volume of export-quality table grapes and subsequently increased the supply of table grapes on the domestic market. The shortage of shipping container availability and higher transportation costs (also largely attributed to the COVID-19 pandemic) contributed to lower exports in MY 2020/21 (120,500 MT) and are expected to constrain exports in MY 2021/22 (forecast at 130,000 MT). These volumes are both down significantly from the export record of 152,500 MT in MY 2019/20.

TABLE GRAPE

Production

Australia's table grape production is forecast to rise modestly to 210,000 MT in MY 2021/22, up 10,000 MT from the downward revised MY 2020/21 estimate. This increase is a small recovery towards higher production potential which has been hampered by a continued shortage of labor availability that significantly impacted MY 2020/21 production.

There are industry reports from the major table grape producing areas in northern Victoria that some growers are planning for labor shortages for the MY 2021/22 harvest by targeting some of their production areas towards the lower value domestic market. In doing so they also intend to decrease input costs by reducing fertilizer inputs, bunch thinning, and scaling back pest and disease protection measures. These planned measures are on the back of production and harvest experiences driven by COVID-19 related labor shortages in MY 2020/21 and are being done in order to optimize their returns.

Industry estimates that they require around 15,000 temporary workers during harvest. This workforce has typically been made up of temporary visa holders which are primarily backpackers or from the Pacific Seasonal Worker Program. Due to the COVID-19 pandemic, a large number of backpackers have exited Australia and the number of Pacific Islanders coming to Australia has diminished due to the mandatory 14-day quarantine period and the associated cost of around AU\$3,000 each (approximately USD\$2,175). The federal government was aware of the agricultural industry's concerns and implemented temporary visa holder extensions and incentives to encourage the likes of university students and other unemployed people to relocate and enter the harvest workforce. Unfortunately, this had very limited success leaving the industry well short of harvest labor requirements for MY 2020/21.

The Australian international borders essentially remain closed and Sydney and Melbourne along with some of the regional areas in their respective states are experiencing extended lockdowns due to COVID-19 outbreaks. However, the vaccination program in Australia is progressing strongly and is anticipated to reach an 80 percent double vaccinated rate by late November/early December 2021.

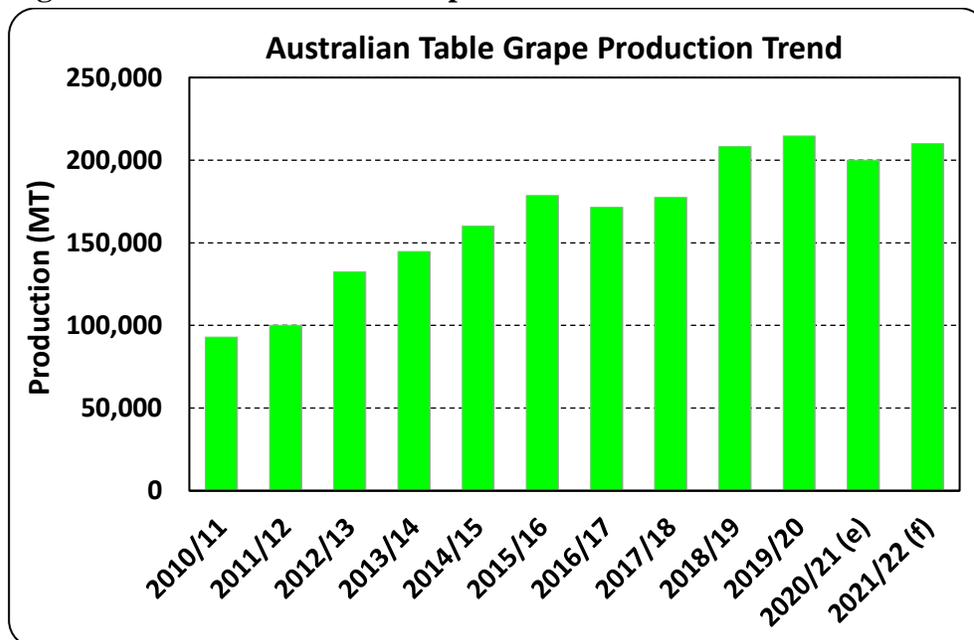
Shortly afterwards it is anticipated that state borders will reopen with a strong prospect that international travel for those with certified double vaccinations will be enabled, with perhaps some testing and home quarantine protocols which are yet to be established.

The timing of the potential reopening of international borders offers scope for an increase in backpackers and workers from the Pacific Islander Program entering Australia prior to the main table grape harvest window of February to April in northern Victoria.

As part of the negotiations for a free trade agreement between Australia and the United Kingdom (UK) an in-principle-agreement was announced in June 2021. As part of this the government announced that a new seasonal agricultural visa will be created and at this preliminary stage will be available to the citizens of the UK and 10 ASEAN nations. This is expected to be implemented in late 2021 and it is anticipated to reduced limitations and facilitate an increase in seasonal workers in Australia. This is likely to contribute towards an increase in harvest labor for the MY 2021/22 season given the likely opening up of international borders from around late November or December 2021.

Prior to the onset of COVID-19 related harvest labor shortages, Australian table grape production was set to achieve year on year record production. Over the ten years through to MY 2019/20, table grape production grew by an impressive 131 percent (see Figure 1).

Figure 1 – Australian Table Grape Production Trend



Source: Horticulture Innovation Australia, and FAS/Canberra estimate and forecast

High returns driven by strong export demand in recent years had encouraged greenfield plantings and conversion of wine grape areas to table grape vine plantings. The table grape industry estimates about a

20 percent increase in annual plantings in recent years, although they anticipate a decline in the rate of new plantings in coming years. The vines from new plantings over recent years were starting to come into full production from MY 2020/21 and were expected to continue to boost total table grape production. This has been curtailed by COVID-19 related harvest labor shortages impacting MY 2020/21 and the forecast MY 2021/22. These plantings remain and with an expected easing of harvest labor shortages it is likely that production in MY 2022/23 will rebound strongly.

FAS/Canberra has revised the production estimate for MY 2020/21 from 240,000 MT down to 200,000 MT. This large downward revised estimate, as mentioned earlier, is primarily due to the lack of harvest labor available during harvest.

Growers reported that although there was more wet weather during harvest in MY 2020/21 which did have some impact on production and quality, their major disruption was a lack of labor during harvest which had a series of consequences. In the lead up to harvest, growers had optimized their crop management to produce a high quality and volume of table grapes, but the shortage of labor impacted their ability to harvest the grapes in a timely manner. This led to growers having to make management decisions to prioritize their harvest program to maximize their returns.

It is reported that growers were faced with too many grapes to harvest for the amount of labor they had available which they managed from day to day by prioritizing their harvest towards the highest quality and easiest to pick areas that would generate the greatest returns. In doing so some areas that may have already had their initial picks and had lower volumes of lower quality grapes, which they would typically gather in their third or fourth picks, had overripened and were left on the vine. Some areas where the bunch quality was not optimal, requiring extra labor and therefore harvest cost to manipulate the bunches, were also given lower priority. Alternately some may have chosen to focus less on improving the bunch quality at harvest and channeled the product to the lower value domestic market.

The majority of table grapes in Australia are grown in the Sunraysia and Murray Valley regions in northern Victoria, accounting for around 78 percent of production (see Figure 2). Adding to this are two Riverina region areas in southern New South Wales, accounting for around 10 percent of production. The key characteristics of these regions are that they are a temperate climate with free draining sandy loam soil types and low annual rainfall of around 300 mm, most of which is between May and October and essentially outside the harvest period of November to May. Although winters are mild there is adequate cold chill period for the vines. These regions are very dependent upon irrigation to meet the vine water demands. These conditions support good bud burst offering high potential yield, and the low rainfall and warmer temperatures from spring to autumn minimizes risk of frosts, humidity and hail while optimizing growth rates with well managed drip irrigation and fertilizer programs.

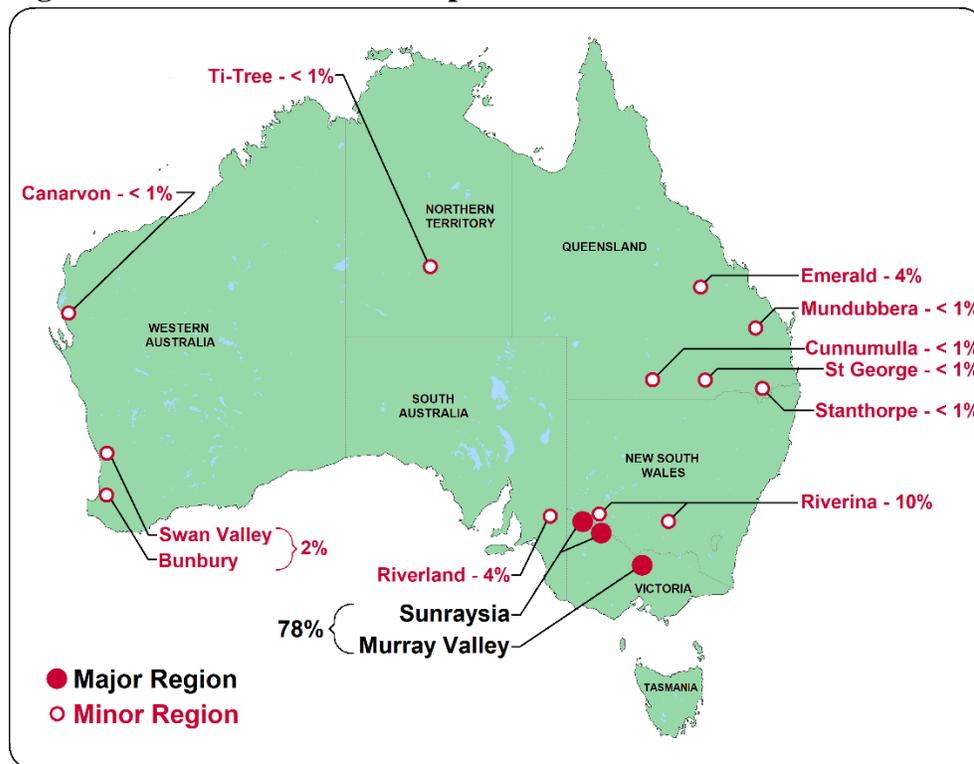
Other important production regions are further north in Queensland, Northern Territory and Western Australia which reach warmer temperatures earlier, bringing forward their production season, but also

have warmer winters producing lower cold chill period making them less than ideal production regions. However, table grapes in these regions mature earlier than the major production regions of Victoria providing an extended supply period primarily for the domestic market. Due to the relatively low production in these regions, they predominantly supply the domestic market in the period after imports of U.S. grapes begin to wane, and before harvest in key southern producing regions begins.

Table grape production in Australia starts in October from Ti-Tree in Northern Territory and then Emerald in Queensland and Carnarvon in Western Australia in early November. Production increases as areas further south progressively commence harvest and reaches peak production in February and March when large volumes of production commence in the most southern regions of the Riverina, Murray Valley and Sunraysia. These regions are the last to finish production around May each year.

A key positive for the Australian table grape industry is that expanded area has been focused on new proprietary, and export-oriented table grape varieties. The varieties chosen are driven by the strong demand from Asian markets such as China. Chinese consumers are increasingly turning away from seeded varieties like Red Globe to seedless varieties and are also interested in trying new varieties and flavors.

Figure 2 – Australian Table Grape Production Areas



Source: Australia Table Grape Association

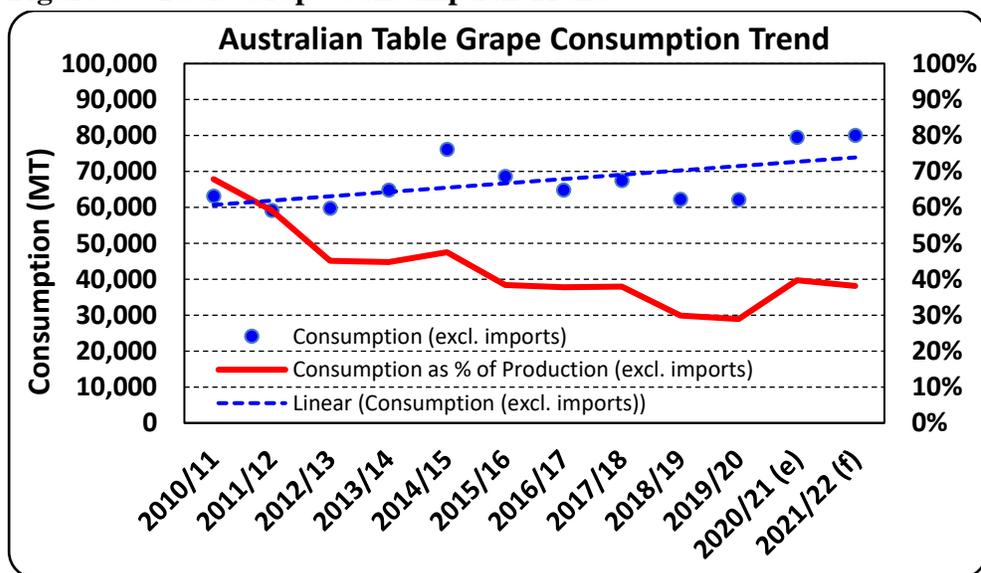
Consumption

FAS/Canberra forecasts table grape consumption to increase slightly in MY 2021/22 to 95,000 MT from a strongly upward revised estimate of 92,500 MT for MY 2020/21. Consumption in MY 2020/21 has grown significantly and is estimated to be up 17,100 MT (23 percent) from the previous year. This large growth in MY 2020/21 is primarily driven by the shortage of harvest labor which resulted in sub optimal timing of picking and overall reduction in grape quality. This reduced the volume of grapes suitable for export markets and as a consequence an increase in grape volumes was made available on the domestic market in MY 2020/21. For reasons previously mentioned this trend is forecast to continue into MY 2021/22 and a similar consumption outcome is anticipated.

In recent years, strong Asian demand had led to prices paid for exports that are typically significantly higher than those in domestic retail, which has limited the growth in domestic availability. Domestic table grapes are largely available in the market from December to May, with imported grapes, almost exclusively from the United States, available from August to November.

As production has increased over time, domestic consumption has shown an upward trend, with variability from year to year. The variability is primarily driven by the degree of price premium available on the export market relative to the domestic market, and variance of overall fruit quality from year to year. A decade ago, domestic consumption (excluding imports) represented almost 70 percent of production but had fallen to below 30 percent in MY 2019/20 (see Figure 3). Since then, the impacts of COVID-19 on harvest labor availability have resulted in consumption rising to around 40 percent of production. As was previously mentioned, when choosing new varieties most growers are primarily focused on export opportunities and demand, rather than the domestic market. As a result, as the harvest labor shortage issue dissipates, consumption is likely to return towards the previous trend.

Figure 3 – Table Grape Consumption Trend



Source: FAS/Canberra

Trade

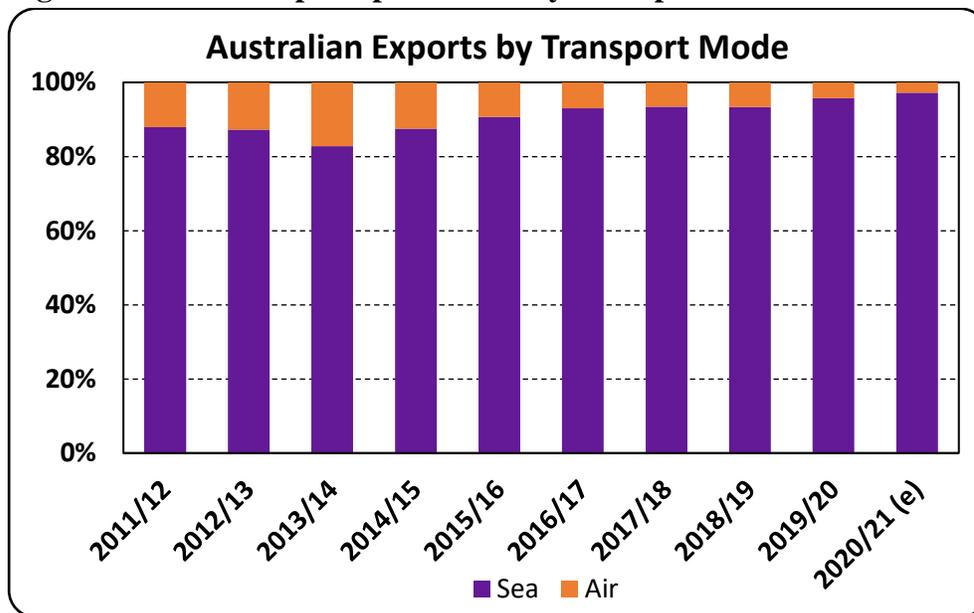
Exports in MY 2021/22 are forecast at 130,000 MT, up eight percent from the heavily downward revised MY 2020/21 result of 120,500 MT. These are substantial reductions from the record exports of 152,600 MT in MY 2019/20. The forecast 9,500 MT increase in exports for MY 2021/22 from MY 2020/21 is largely related to the forecast rise in production by a similar volume.

The large fall in exports from MY 2019/20 is in small part due to reduced production, but mainly due to the impacts of a shortfall in harvest labor availability which has reduced overall fruit quality as well as reduced the volume of export quality grapes produced in MY 2020/21. This trend is expected to continue in MY 2021/22 although a modest easing in labor shortfall is anticipated, supporting the forecast eight percent increase in exports.

A further contributing factor to the decrease in exports are the increased challenges and costs associated with sea freight. This is a world-wide issue which is attributed to the affects of the COVID-19 pandemic. Industry reports that the cost of shipping containers has increased around three-fold from pre pandemic levels, and their availability is continuing causing traders significant challenges.

Table grapes are a fresh product that stores very well in cold storage, enabling scope for the transportation of exports to be via refrigerated shipping containers rather than the higher cost air freight option. With improvements in shipping logistics and temperature monitoring of refrigerated cold storage shipments over the last decade, the proportion of exports shipped by sea has increased from as low as 83 percent to 97 percent (see Figure 4). The small volume of exports by air freight is predominantly for early-season grapes to premium markets.

Figure 4 – Table Grape Export Trend by Transport Mode

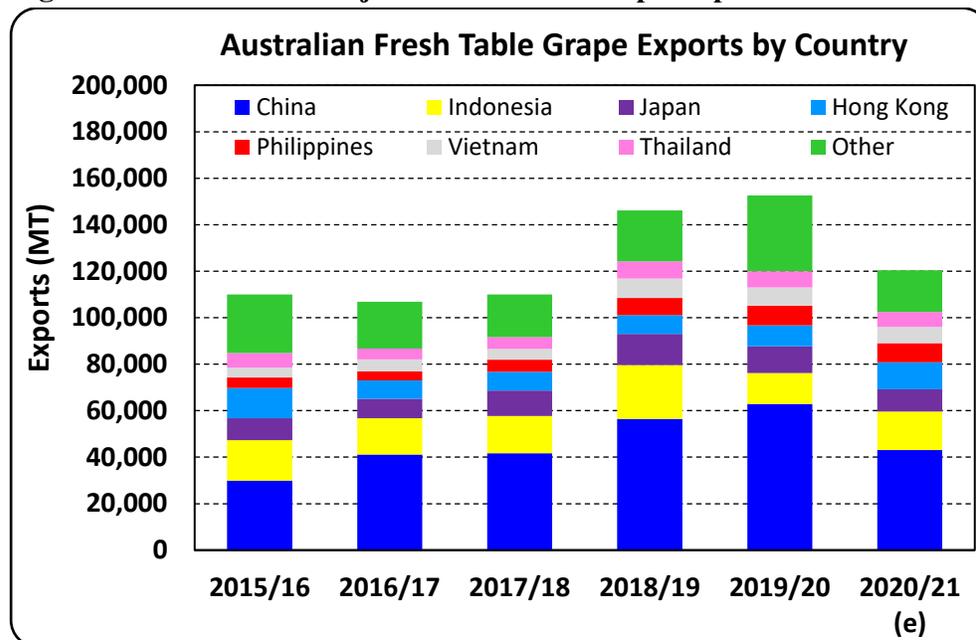


Source: Australia Bureau of Statistics

According to industry sources, the availability of shipping containers proved challenging in MY 2020/21 for exporters of table grapes. Industry indicates that the COVID-19 pandemic has extended the timelines for processing shipping containers at ports around the world which has caused the shortage of shipping container supplies compared to pre-pandemic levels. This has also been confounded by a sharp increase in the cost of shipping containers resulting in an overall increase in export costs. These impacts are expected to continue and impact the export season in MY 2021/22.

Australia mainly exports table grapes to Asian countries and over the last 10 years exports have grown from 29,900 MT in MY 2010/11 to 152,500 MT in MY 2019/20, a 410 percent increase, before falling to 120,500 MT in MY 2020/21. During this growth period, exports to China and Hong Kong increased from 9,900 MT to 72,100 MT, accounting for a little over 50 percent of the growth in exports (see Figure 5). The large decline in exports in MY 2020/21 is largely due to a reduction of around 20,000 MT of exports to China, representing 62 percent of Australia’s overall export reduction. The other major export destinations were largely maintained or even increased in MY 2020/21 but other smaller export destinations accounted for the balance of the decline.

Figure 5 – Australia’s Major Fresh Table Grape Export Destinations



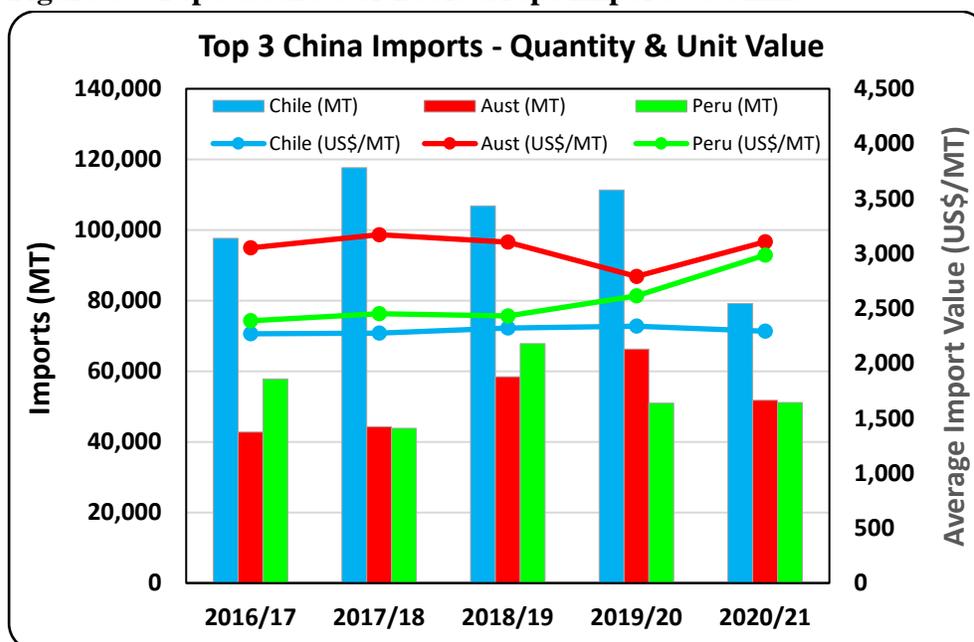
Source: Australia Bureau of Statistics

China’s overall imports of table grapes in MY 2020/21 fell by around 46,000 MT (19 percent). Their supply from their main source of imports, Chile, fell by 29 percent while imports from Australia declined by 22 percent. However, supply from Peru who provide a similar amount to Australia remained stable. Table grape industry contacts report that shipping container supply impacted its capacity to export to China but there were also reports of uncertainty created from elevated inspection

processes at Chinese ports which caused concern. This is said to have led growers to opt for more supply to the domestic market and exporters to place greater focus on other markets.

A key advantage for Australian exporters is that the shipping time to reach China is 18-20 days whereas it is around 35 days from south American countries. The shorter shipping time from Australia reduces transport costs but also improves product quality at its final destination which may have been a factor in the decline from Chile being greater than that from Australia.

Figure 6 – Top 3 Sources of Table Grape Imports to China

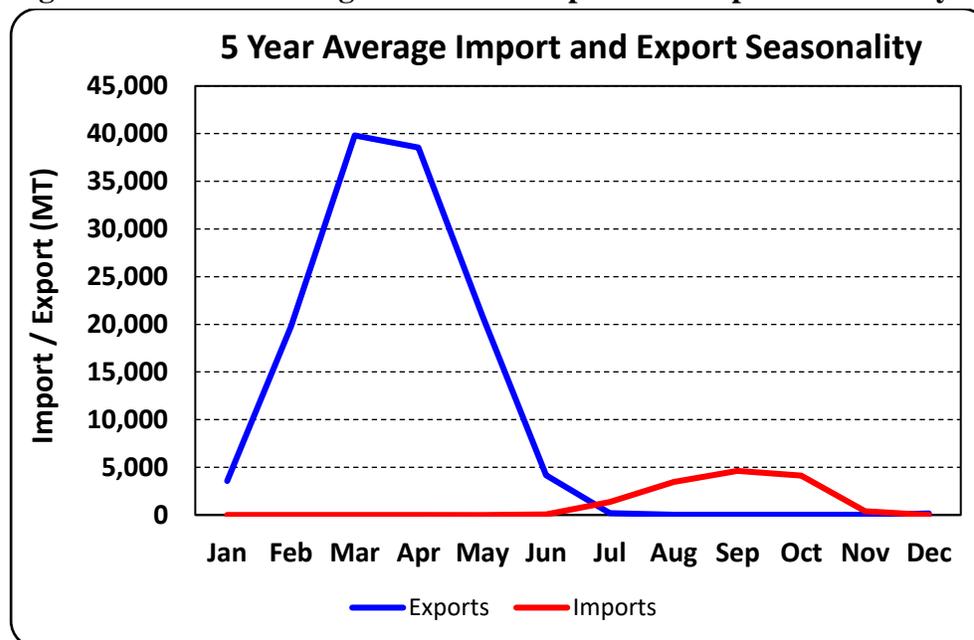


Source: Trade Data Monitor

Australia’s imports are expected to increase in MY 2021/22 to 15,000 MT from an estimated 13,000 MT in MY 2020/21. This small increase, if realized, would bring imports back to pre-pandemic levels after being impacted by shipping disruptions in MY 2020/21. Imports are almost entirely counter-seasonal shipments from the United States and occur between July and November (see Figure 7). Some industry sources consider that there may be some easing in shipping container availability in the second half of 2022 enabling imports to return to closer to normal levels experienced in the years prior to the pandemic.

The Australian table grape industry considers that the import of table grapes from the U.S. is beneficial to domestic table grape sales, despite domestic demand for table grapes during the winter and spring months being low in Australia. Having U.S. table grapes on retail shelves during the Australian off season appears to support earlier engagement of retail consumers when the lower priced Australian table grapes start to enter the retail network. This relationship is believed to result in a higher volume of domestic sales at the start of the table grape season.

Figure 7 – 5 Year Average Australian Import and Export Seasonality



Source: Australian Statistics Bureau

Grapes, Fresh Table Market Year Begins	2019/2020		2020/2021		2021/2022	
	Oct 2019		Oct 2020		Oct 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Australia						
Area Planted (HA)	0	13000	0	14000	0	14000
Area Harvested (HA)	0	13000	0	14000	0	14000
Commercial Production (MT)	240000	214700	240000	200000	0	210000
Non-Comm. Production (MT)	0	0	0	0	0	0
Production (MT)	240000	214700	240000	200000	0	210000
Imports (MT)	16000	13300	10000	13000	0	15000
Total Supply (MT)	256000	228000	250000	213000	0	225000
Fresh Dom. Consumption (MT)	96000	75400	80000	92500	0	95000
Exports (MT)	160000	152600	170000	120500	0	130000
Withdrawal From Market (MT)	0	0	0	0	0	0
Total Distribution (MT)	256000	228000	250000	213000	0	225000
(HA) ,(MT)						

Attachments:

No Attachments