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Report Highlights:

Stone fruit production in Australia is forecast to increase in marketing year (MY) 2023/24, following two successive seasons affected by unseasonably wet weather, labor shortages at harvest, logistics challenges, and very high costs due to the COVID-19 pandemic. Cherry, and peach and nectarine, production is forecast to increase by 18 and 13 percent, respectively. Weather conditions in MY 2023/24 are expected to support higher production and improved fruit quality. Cherry, and peach and nectarine, exports are expected to increase by 72 and 40 percent, respectively, from a low level.

EXECUTIVE SUMMARY

Stone fruit production in Australia is forecast to increase in marketing year (MY) 2023/24, following successive seasons (MY 2021/22 and MY 2022/23) that were not only affected by abnormally wet weather but also a shortage of labor supply at harvest, export logistics challenges, and very high costs due to the COVID-19 pandemic. The COVID-19 affects were less intense in MY 2022/23 than in the prior year and are expected to ease further and have little impact in MY 2023/24. Cherry production is forecast to increase by 18 percent, and peaches and nectarines by 13 percent.

Temperatures across some of the major cherry-growing regions have been a slightly above average over the late fall and winter periods. Meanwhile, the minimum temperatures have been low, and the industry reports good winter chill hours to encourage an expected good bud burst. The Australian Bureau of Meteorology forecasts relatively dry conditions across the stone fruit growing regions in the coming months leading up to harvest. With ample irrigation water availability, growers will be better able to manage the fruit growth phase and with drier conditions and are also likely to have lower disease pressures. Prevailing forecast weather conditions would result in improved stone fruit production, but quality will also be higher than for the previous two abnormally wet seasons. Higher fruit quality in the forecast year will enable higher volumes of stone fruit suitable for export in MY 2023/24. Cherry exports are forecast to increase by 72 percent, albeit from a low level, and peach and nectarine exports are forecast to rise by 40 percent in MY 2023/24.

A further positive for Australian stone fruit exporters is that the trade tensions between Australia and China have substantially eased over the last year. With China being an important destination for Australian stone fruit, the improved relations augers well for exporters to place the anticipated increase in cherries, peaches, and nectarines suitable for the export market in MY 2023/24.

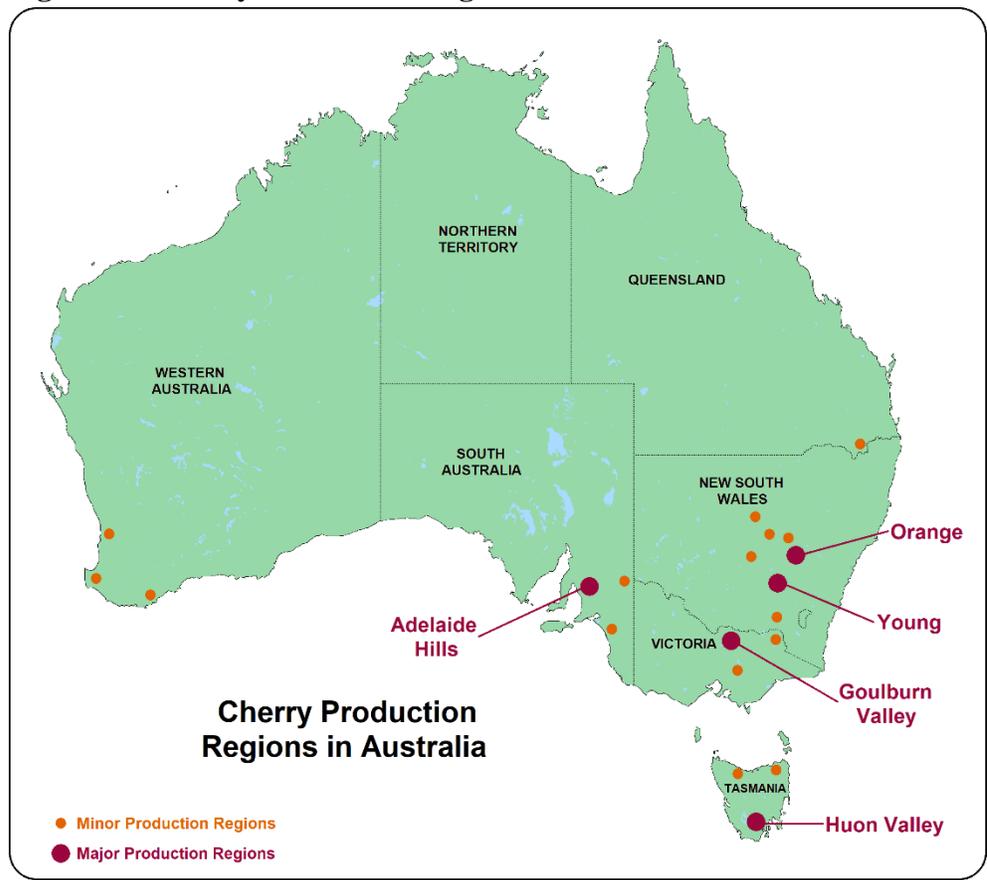
CHERRY

Background

The primary growing regions for cherries in Australia are the Huon Valley in Tasmania, the Goulburn Valley in central Victoria, Young and Orange in central eastern New South Wales, and the Adelaide Hills in southeast South Australia (see Figure 1). Smaller production regions include Stanthorpe in southern Queensland, the southeastern corner of Western Australia, Yarra Valley in Victoria, and central New South Wales pockets. Tasmania is the southernmost region with the coolest climate and the longest growing season enabling large high-quality cherry production. The disadvantage is that the Tasmanian harvest season is also the latest of all the regions, mainly after the peak Christmas demand, resulting in their focus on export markets. The more northern regions have a warmer and less optimal climate, but harvest commences in late October, aligning with the prime period of domestic demand leading up to Christmas.

The harvest season for the producers in the warmest climates of Queensland, New South Wales, South Australia and Western Australia typically commences in mid to late-October and is completed by around mid-January (see Table 1). A little further south in Victoria the harvest period generally commences in early to mid-November and finishes in mid to late-February. All of these regions are able to take advantage of the period leading up to Christmas when cherries are in the greatest demand domestically. The southernmost producing region with the coolest climate is Tasmania where harvest commences in late-December and is typically completed by mid-February. As the majority of Tasmanian cherries are exported, harvest timing typically aligns well with strong Chinese New Year demand in China and Hong Kong.

Figure 1 – Cherry Production Regions in Australia



Source: *Information from Cherry Growers Australia Inc*

Table 1 – Cherry Harvest Seasonality in Australia

Cherry Harvest Seasonality in Australian													
	October			November			December			January		February	
Victoria													
New South Wales													
South Australia													
Tasmania													
Western Australia													
Queensland													

Source: *Cherry Growers Australia Inc.*

Notes:  Main harvest period  Minor harvest period

Sweet cherries are typically more sensitive to climatic variables than other fruit crops. The most important climatic conditions for growing cherries are:

- Sufficiently low temperatures during winter to accumulate adequate chilling units (dormancy period), typically over 800 hours at temperatures between 2°C and 12°C (36°F to 54°F) ensure even and full bud break in spring.
- During the blossoming period, temperatures are needed above 13°C (54°F) to ensure bees are active and support an optimized pollination process.
- No severe frosts between bud swell and shuck fall (when flower petals have fallen away from young fruit).
- Low rainfall when trees are in blossom (typically late-August to late-October) as rain can cause reduced pollination and blossom infection by bacteria and fungi, hindering fruit set.
- Low rainfall and no hail during ripening is also important to minimize fruit damage and reduce disease pressure. Rainfall during warmer temperatures when fruit is ripening tends to create a humid environment, conditions which enable pests to proliferate.
- Low humidity throughout the growing season to minimize disease outbreaks.
- Low to moderate winds are important to minimize physical injury to trees and fruit, typically from rubbing against tree limbs. However adequate wind is important to ensure sufficient aeration in the orchard to minimize humidity within the crop, particularly after rainfall.
- Sufficient water for irrigation to meet tree water demands.

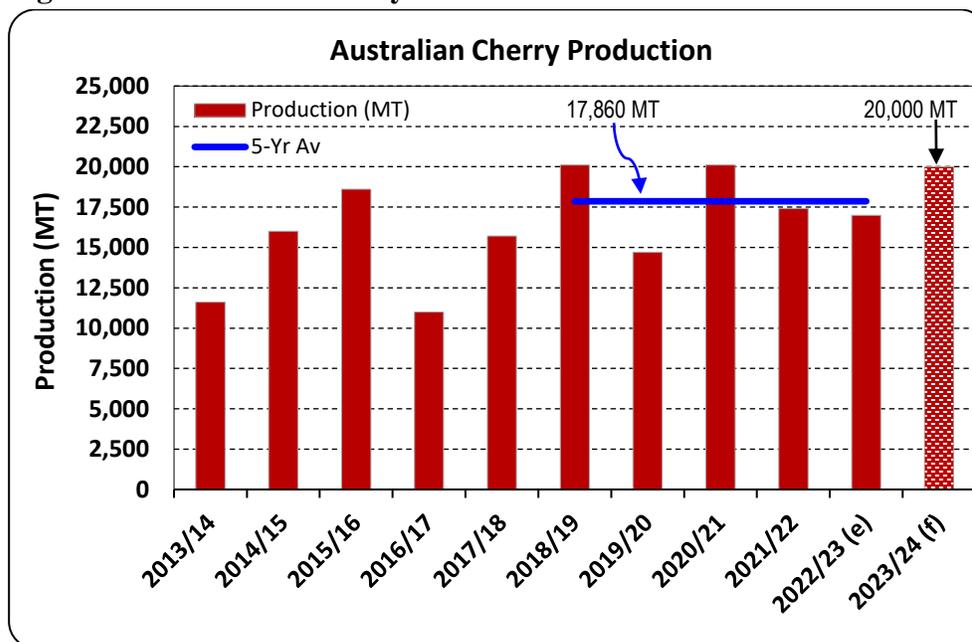
Some of the growing condition issues can be mitigated via tree trellising support system designs, and pruning techniques, along with hail netting structures over the orchard.

Cherries in Australia are predominantly eaten fresh, with relatively small quantities sold as frozen, dried, or canned. Cherries are versatile in producing various other items such as jams, liqueurs, brandy, ice cream and confectionaries.

Production

MY 2023/24 production for cherries in Australia is forecast to increase to 20,000 metric tons (MT) from the downward revised MY 2022/23 estimate of 17,000 MT. However, the production forecast is a little subdued, given that it is in line with two past results over the last five years and there has been growth in cherry plantings over this period. The production forecast is however 12 percent above the previous five-year average (see Figure 2). This increase for MY 2023/24 is mainly due to an expectation of broadly good production conditions for the forecast production period, but also a rebound from the lower than usual harvest in MY 2022/23 due to unseasonal wet conditions around harvest in New South Wales and Victoria.

Figure 2 – Australian Cherry Production

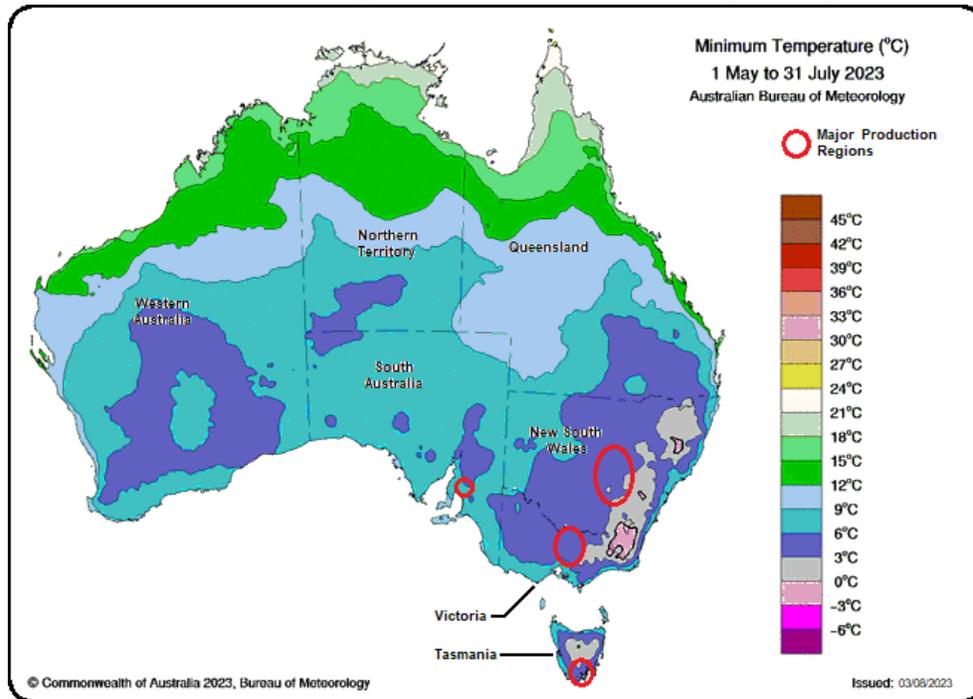


Source: PSD online and FAS/Canberra estimates and forecasts

Although temperatures across some of the major cherry growing regions have been a little above average over the late fall and winter period, the minimum temperatures have been low (see Figure 3) and have been adequate to provide winter chill hours to encourage an expected strong bud burst.

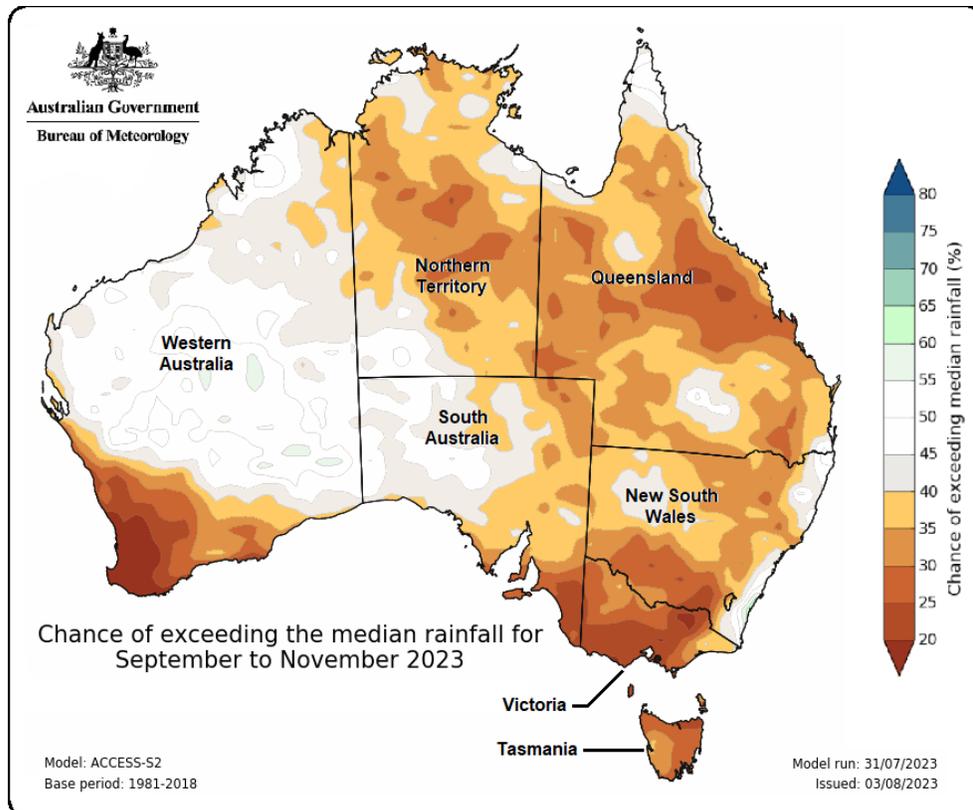
The Australian Bureau of Meteorology is forecasting drier than usual conditions over the September to November 2023 period (see Figure 4) which suits growers particularly when there is ample irrigation water available. If the forecast prevails for drier-than-usual conditions, the situation will reduce the risk of disruptions during pollination, fungal infestations, and also excessive soil moisture. Growers will have greater control over the development and quality of the fruit, particularly compared to recent years, in which excessive spring rains have hampered some major production areas.

Figure 3 – Minimum Temperature in Australia – May to July 2023



Source: Australian Bureau of Meteorology

Figure 4 - Australia Rainfall Forecast – September to November 2023



Source: Australian Bureau of Meteorology / FAS/Canberra

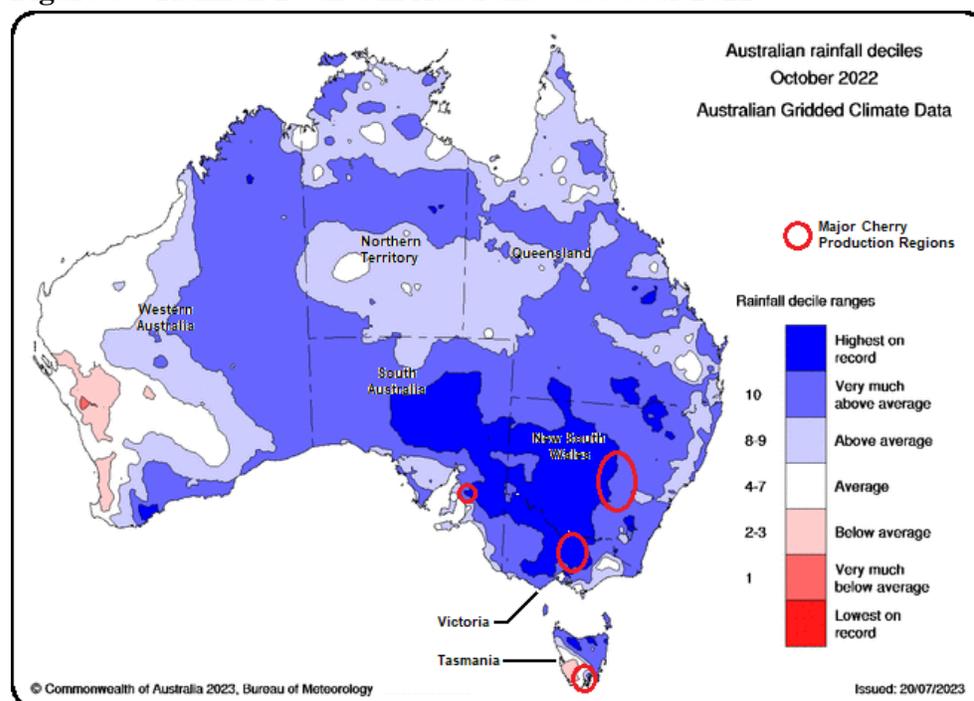
The major irrigated cherry producing region in the Goulburn Valley, located in northern Victoria, is expecting ample water availability with irrigation storage dams already at or near capacity prior to the typical spring period inflows. Ample water availability will enable irrigated cherry producers' greater control in managing fruit development even in the event that below average rainfalls over the spring period prevail.

After very high price rises in fertilizer and chemicals over the last two seasons, these have now declined substantially and are not limiting factors to production. Furthermore, the challenges of sourcing labor (particularly during harvest) in the horticulture sector over the last few seasons borne about by international border closures as a response to the COVID-19 pandemic have now abated. The situation is still challenging for growers but to a lesser extent than recent past seasons. After the opening of Australia's international borders in early 2022, labor availability has improved, but unemployment rates in Australia are at historical low levels resulting in the horticulture industry competing with other sectors of the economy for labor.

An issue holding back the forecast production from an even higher level is the flow on affects of the exceptionally wet spring 2022 conditions particularly in the Goulburn Valley region which resulted in a major flooding event. Some cherry producers were substantially affected, and the trees are not expected to be fully recovered and will be at sub-optimal production for the forecast year.

The FAS/Canberra cherry production estimate for MY 2022/23 has been revised down to 17,000 MT from the official USDA estimate of 19,000 MT. This decline is directly related to the very wet weather conditions in October 2022 in New South Wales and the Goulburn Valley area of Victoria (see Figure 5). The Goulburn Valley, experienced significant flooding in mid-October 2022 and was substantially impacted by a subsequent major hail event at the start of November 2022, around the start of the cherry harvest. Hail netting protects most cherries produced in the Goulburn Valley. However, excessive rainfalls for the second year in succession had caused quality issues for the crop, including split fruit and brown rot, particularly for the early harvest cherries. With harvest significantly later in Tasmania's most southern cooler climate, cherry production was largely unaffected, enabling the state to produce a good crop.

Figure 5 – Rainfall Deciles in Australia – October 2022



Source: Australian Bureau of Meteorology

Consumption

With an expectation of an 18-percent production increase in MY 2023/24, around half of this increase is forecast to contribute to higher domestic consumption of cherries, increasing to 17,000 MT in MY 2023/24 from an estimated 15,600 MT in MY 2022/23. This forecast level of consumption is approximately in line with MY 2018/19 and MY 2020/21 when production in those years was 20,100 MT, a similar level to the forecast 20,000 MT production.

The last two production seasons have been substantially disrupted by not only abnormally wet spring weather, but also labor unavailability and the high cost of air freight for exports and imports (i.e. primarily caused by international border closures due to COVID-19). These issues have abated and there is a return towards pre-pandemic trading conditions and a much lower risk of another unseasonably wet spring period. These factors are expected to bring forecast consumption back to more typical levels associated with high production years.

Of course, economic considerations impact consumer spending and inflationary pressures worldwide are also impacting Australian consumers. Australia is one of the wealthiest nations in the world, and according to the Global Wealth Report 2022 by Credit Suisse, Australia ranked first in the world based on median wealth per adult in 2021. Combined with this, according to the Organisation for Economic Co-Operation and Development (OECD), household expenditure on food and restaurants in Australia is among the lowest in the world. Although circumstances may have changed somewhat since the last Credit Suisse report, Australia is likely to remain one of the wealthier nations with among the lowest

expenditure on food. Even in the current economic context, Australian consumers' demand for cherries, mainly in the lead up to Christmas, is likely to remain firm.

The estimate for cherry consumption in MY 2022/23 has been downward revised to 15,600 MT from the official USDA estimate of 16,300 MT. The revision is mainly due to the reduced domestic supply after abnormally wet spring conditions in New South Wales and Victoria.

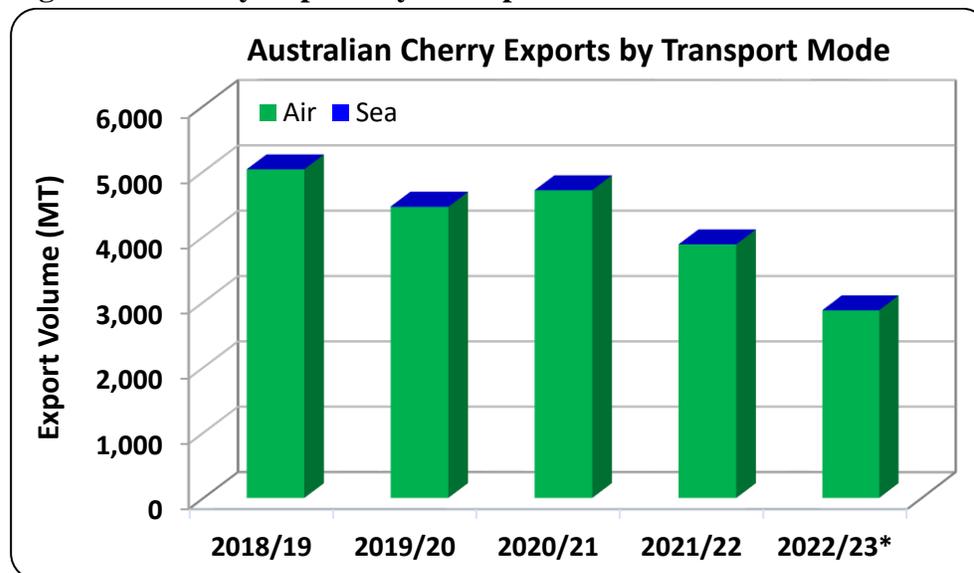
Trade

Exports

Fresh cherry exports are forecast to increase significantly to 5,000 MT in MY 2023/24, from a downward revised estimate of 2,900 MT in MY 2022/23. The forecast export level, if realized, would be the second highest level on record and similar to export volumes achieved in two of the last five years that had 20,100 MT of production (MY 2018/19 and MY 2020/21). With the expectation of high production, but also drier than usual conditions supported by ample irrigation water availability - which is anticipated to provide producers with good control over cherry fruit development - fruit quality is likely to be high. This should result in a higher proportion of cherries being of high enough quality for the export market to support the forecast strong export program.

Almost all cherry exports are by air freight (see Figure 6) and with international flights moving back towards pre-pandemic levels the competition for air freight space has been declining and the cost decreasing since the abnormally high prices during the pandemic. The combination of the expectation of high production and good quality cherries for the forecast year supports the anticipated bigger export program for MY 2023/24.

Figure 6 – Cherry Exports by Transport mode

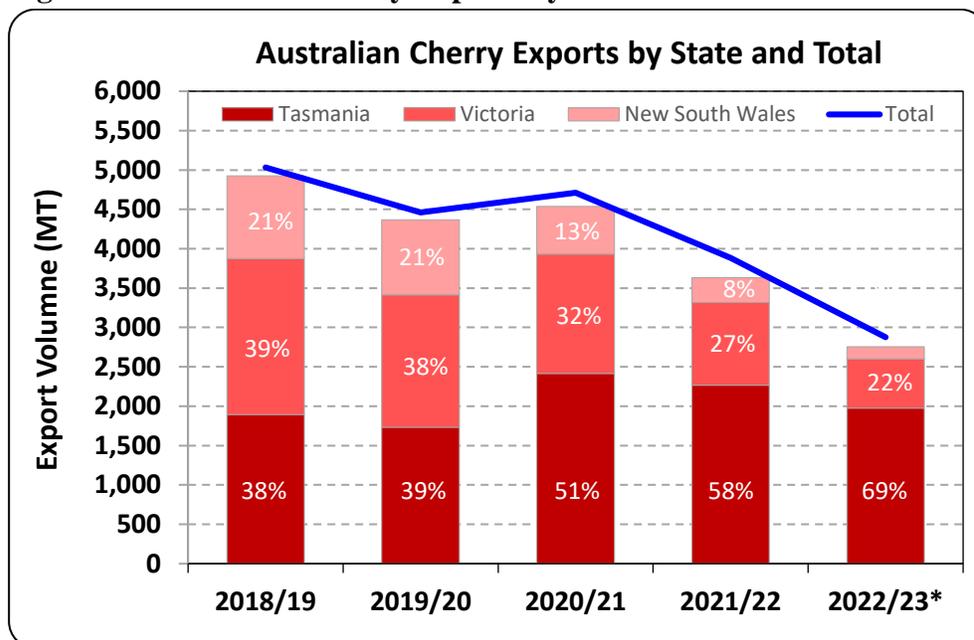


Source: Australian Bureau of Statistics

Note: * = November 2022 to May 2023

Tasmania’s cherry production is dependent upon the export market as its harvest period falls outside of the lead up to Christmas which is the peak domestic demand period. Tasmanian cherries are also grown in a cooler, slower growing climate more suited for high quality cherry production which makes their produce more attractive for export and more readily able to absorb high freight costs. With improved growing conditions anticipated for the forecast year there is expected to be an improvement in the volume of cherries exported from Victoria and New South Wales compared to the last two seasons which were impacted by excessive spring rains (see Figure 7).

Figure 7 – Australian Cherry Exports by State and Total

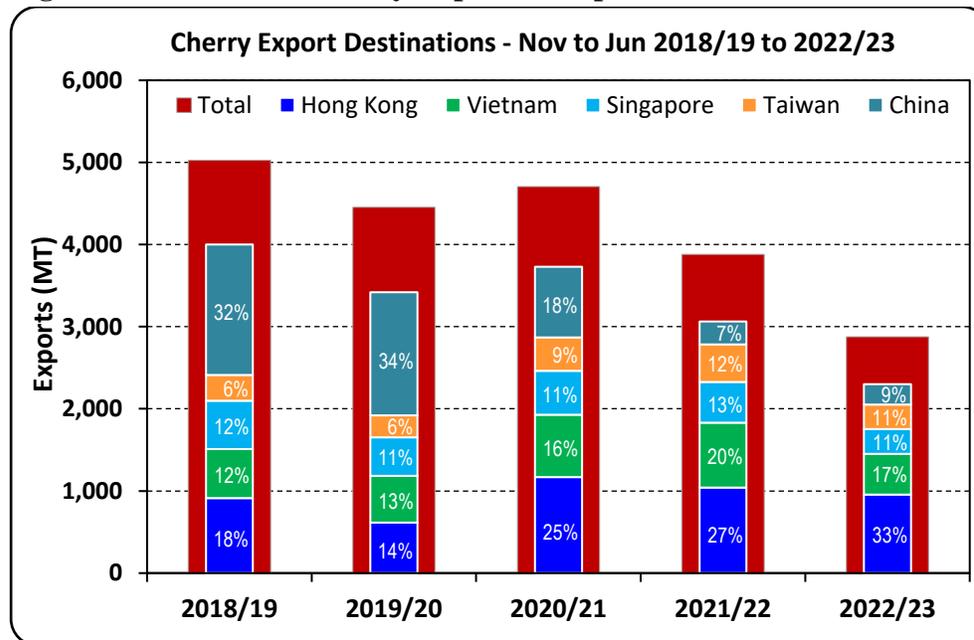


Source: Australian Bureau of Statistics

Note: * = November 2022 to May 2023

Most export destinations for Australian cherries are in Asia (see Figure 8), which are in near proximity to Australia, enabling air freight to be more cost-effective than longer haul destinations. The top five export destinations of Hong Kong, Vietnam, Singapore, Taiwan, and China account for over three-quarters of exports. Over the last two years, with reduced cherry export volumes, there has been some decline in the amount exported to four of the top five, but the major change has been the decline of cherry exports to China. The volume of cherries exported to China over the last two years was an average of 260 MT compared to 1,320 MT in the three previous years. With the expectation of a higher quality offering of export cherries in the forecast year and the thawing of trade tensions between Australia and China over the last year, exports to China will rebound in MY 2023/24.

Figure 8 – Australian Cherry Exports – Top 5 and Total



Source: Australian Bureau of Statistics

Australian cherry exports are almost entirely from November to March, so MY 2022/23 (November 2022 through June 2023) is virtually the final result for the marketing year, an estimated 2,900 MT. This amount is 1,600 MT lower than the official USDA estimate. As previously outlined, the significantly lower estimate is due to the much lower MY 2022/23 production, particularly from Victoria and New South Wales.

Imports

Cherry imports are forecast at 2,000 MT in MY 2023/24, substantially higher than the slightly downward revised estimate of 1,500 MT in MY 2022/23 from the official USDA estimate of 1,800 MT. The forecast import level is a return towards past levels, which have been at above 2,000 MT and as high as 5,000 MT over a decade ago. All cherry imports to Australia are from the United States. The forecast 500 MT rise from the MY 2022/23 estimate of 1,500 MT, which was also a big jump from the low of merely 600 MT in MY 2021/22 (the lowest in over two decades), is in part due to the improving air freight availability and lower costs. Although there has been a significant reduction in air freight costs reported by industry for MY 2022/23, there is scope for further cost reductions as international airlines continue to bring planes back into service after being mothballed during the COVID-19 pandemic. However, market analysts acknowledged that the limited import volume for MY 2021/22 was also due to an abnormal snow event in the United States at the time of flowering, which resulted in poor fruit set for that season, hampering production and volume available for export.

Cherry imports over the last ten years have almost entirely been in the four months from May to August. The trade results to date for MY 2022/23 include May and June which shows a strong improvement in

trade from the previous year and industry reports that trade has been strong for July 2023 and that the overall volume of imports is expected to be in the order of 1,500 MT.

Table 2 - Production, Supply, and Distribution of Fresh Cherries

Cherries (Sweet&Sour), Fresh Market Year Begins	2021/2022		2022/2023		2023/2024	
	Nov 2021		Nov 2022		Nov 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Australia						
Area Planted (HA)	3150	3150	3200	3200	0	3200
Area Harvested (HA)	2500	2500	2500	2500	0	2550
Bearing Trees (1000 TREES)	2600	2600	2600	2600	0	2650
Non-Bearing Trees (1000 TREES)	570	570	0	0	0	0
Total Trees (1000 TREES)	3170	3170	2600	2600	0	2650
Commercial Production (MT)	16000	17400	19000	17000	0	20000
Non-Comm. Production (MT)	0	0	0	0	0	0
Production (MT)	16000	17400	19000	17000	0	20000
Imports (MT)	600	600	1800	1500	0	2000
Total Supply (MT)	16600	18000	20800	18500	0	22000
Domestic Consumption (MT)	12700	14100	16300	15600	0	17000
Exports (MT)	3900	3900	4500	2900	0	5000
Withdrawal From Market (MT)	0	0	0	0	0	0
Total Distribution (MT)	16600	18000	20800	18500	0	22000
(HA) ,(1000 TREES) ,(MT)						

PEACH/NECTARINE

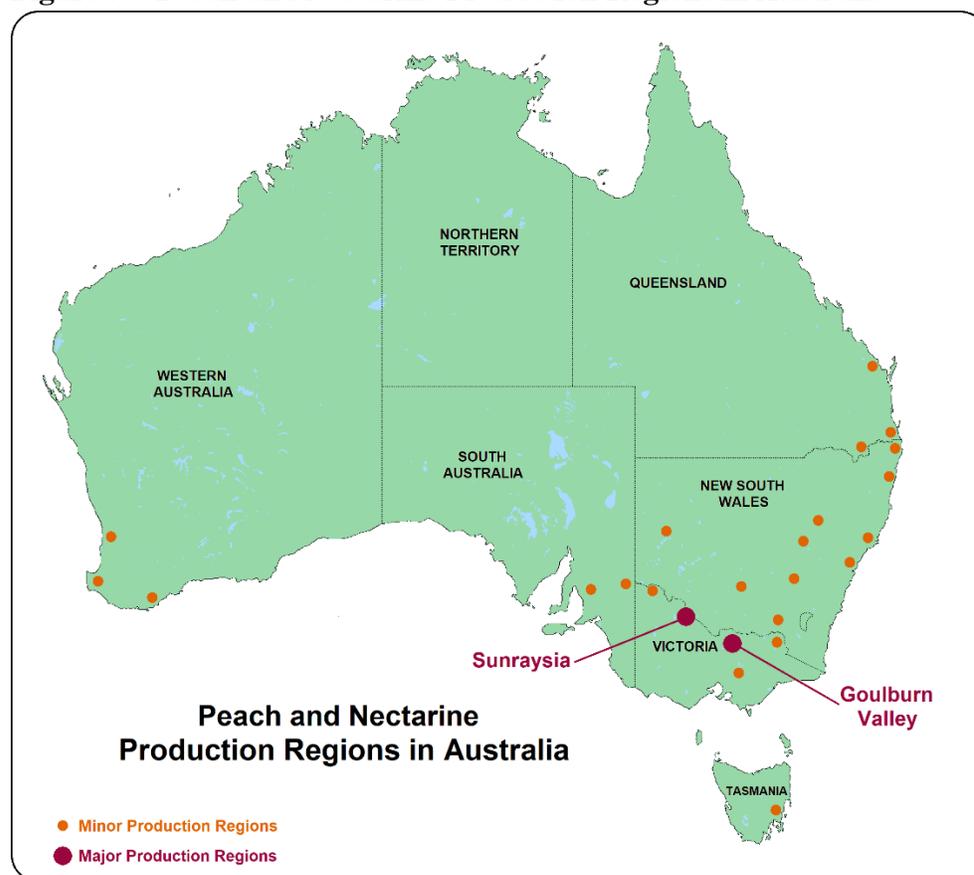
Background

Around three-quarters of the peaches and nectarines grown in Australia are in Victoria in the key regions of the Goulburn Valley in central Victoria and Sunraysia in north-western Victoria. Around one-eighth of the total production is in New South Wales in multiple locations with no predominant region. Peaches and nectarines are also grown in southern Queensland, Adelaide Hills in southeast South Australia, and the south-eastern corner of Western Australia (see Figure 9). Compared to cherries, there is minimal production of peaches and nectarines in Tasmania.

In general, the northern warmer production regions have an earlier commencement to harvest. This condition provides a marketing advantage to growers but also tends to result in the fruit from these more northern regions having a lower sugar content and less flavor than fruits from regions further south. The harvest period for the more northern warmer regions is from October to March; for the more southern growing areas harvest is typically from November to April.

The growing conditions required for peaches and nectarines are similar to that for cherries. A key difference is that peaches and nectarines require less cold chill hours than cherries. Furthermore, peaches and nectarines tend to grow in somewhat warmer regions.

Figure 9 – Peach and Nectarine Production Regions in Australia



Source: Information from Summerfruit Australia Ltd

Production

MY 2023/24 production of peaches and nectarines is forecast to rise to 90,000 MT, an increase of 10,000 MT (13 percent) from the downward revised MY 2022/23 estimate of 80,000 MT. Growing conditions for the forecast crop at this early stage are expected to be positive. The key factors being adequate cold chill hours, drier than average conditions in the coming months coupled with ample irrigation water availability, and a further easing of labor harvest shortages that were experienced in recent years initially brought on by the impacts of the COVID-19 pandemic. The forecast rise in production is also associated with a rebound from the lower than usual harvest in MY 2022/23 due to unseasonal wet conditions around harvest in Victoria and New South Wales.

Industry reports that the cold chill to date has met the minimum levels and expect a good bud burst for the forecast crop, setting the trees up for good production.

As mentioned for cherries, the Australian Bureau of Meteorology is forecasting drier than usual conditions over the September to November 2023 period (see Figure 4). This in fact supports growers' capacity to better manage the development and quality of fruit produced particularly when there is ample irrigation water available. If the forecast drier than usual conditions come to fruition over the

coming months, it will reduce the risk of issues at pollination, disease infestations and also excessive soil moisture which can affect fruit development and flavor.

The major irrigated stone fruit producing regions in the Goulburn Valley and Sunraysia, located in northern Victoria, are both expecting ample water availability for the MY 2023/24 crop. The well above average rains particularly across the eastern states of Australia over the last three years has led to irrigation storage dams already at or near capacity prior to the typical spring period inflows. Even if the spring (September to November 2023) inflows this season are below average, there is expected to be ample water availability for the forecast year's crop.

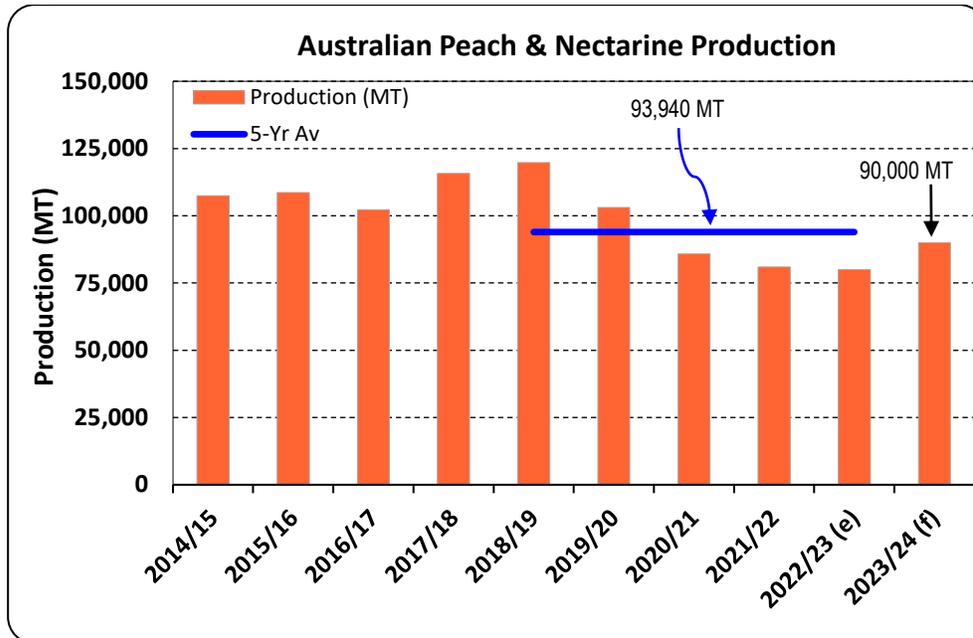
Also supporting the forecast production is that after very high price rises in fertilizer and chemicals over the last two seasons, these have now decreased substantially. However, they remain above pre-pandemic prices the levels but are not considered to be at levels which could impact production.

Furthermore, the sourcing of labor (particularly during harvest) in the horticulture sector is still challenging but the pressure is expected to ease for the forecast year's crop. After the opening of Australia's international borders in early 2022 (an easing of restrictions associated with the COVID-19 pandemic response), labor availability has improved. However, unemployment rates in Australia are at historical low levels resulting in the horticulture industry competing with other sectors of the economy for labor.

Prior to the COVID-19 pandemic the production trend for Australian peaches and nectarines was relatively flat but showing signs of increasing. However, over the two years during the pandemic (MY 2020/21 and MY 2021/22) and last year (MY 2022/23) due to an unseasonably wet spring period, production has been significantly lower (see Figure 10). Although some recovery in production is expected in the forecast year, it is still well below pre-pandemic levels, and four percent lower than the average over the last five years. Industry sources indicate that there is no significant expansion in planted area coming into production. Despite this, some gradual growth in production in the coming years is anticipated from the replacement of old trees with new improved varieties with higher yield potential. With an expectation of further improvements in labor availability and a return to good seasonal conditions over the coming years there is ample potential for a return to past production of over 110,000 MT.

MY 2022/23 production is estimated at 80,000 MT, a substantial downward revision from the official USDA estimate of 90,000 MT. This decline is directly related to the extremely wet weather conditions in October 2022 in the two major production areas of the Goulburn Valley and Sunraysia areas of Victoria (see Figure 11). The Goulburn Valley, in particular, experienced major flooding in mid-October 2022 and was substantially impacted by a subsequent major hail event at the start of November 2022.

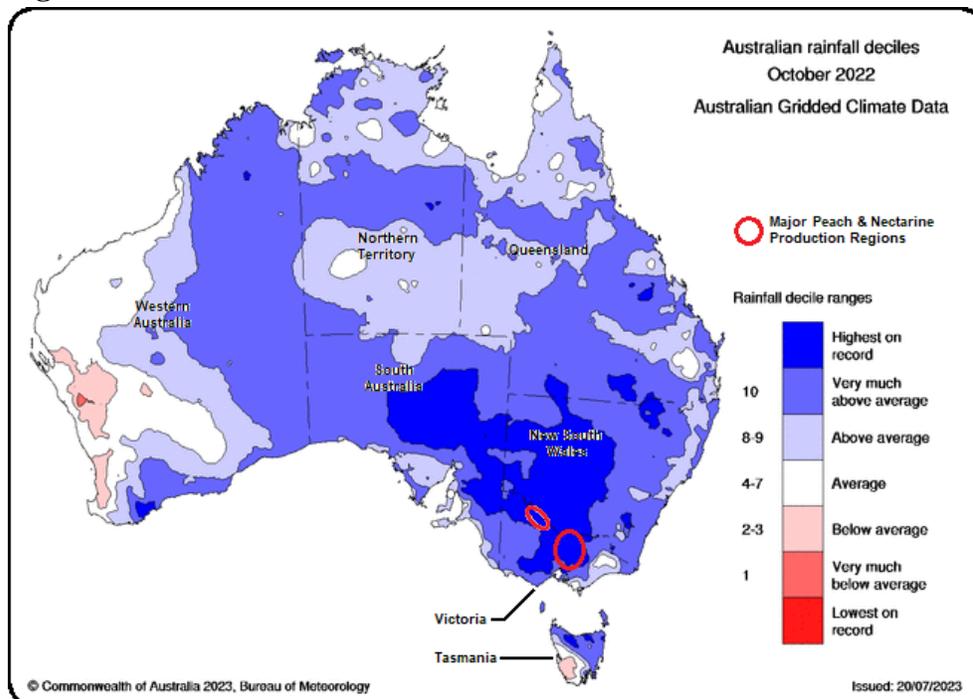
Figure 10 – Peach and Nectarine Production Trend



Source: PSD online and FAS/Canberra estimates and forecasts

Note: (e) = estimate, (f) = forecast

Figure 11 – Rainfall Deciles in Australia – October 2022



Source: Australian Bureau of Meteorology

Consumption

Domestic consumption in MY 2023/24 is forecast to rise to 77,800 MT from the downward revised MY 2022/23 consumption estimate of 71,000 MT. This is mainly due to the 10,000-MT forecast production increase, some of which is expected to be directed towards higher exports but more so towards the domestic market. The anticipated improved growing conditions for MY 2023/24 is also expected to result in higher quality fruit which will expand the volume of fruit suitable for export and limit the expanded volume available for domestic consumption.

FAS/Canberra has downward revised the peach and nectarine consumption estimate for MY 2022/23 from the official USDA estimate of 77,800 MT, down to 71,000 MT. This large 6,800-MT downward revision is due to the 10,000 MT lowering of the production estimate for MY 2022/23 negatively impacting both consumption and exports.

Trade

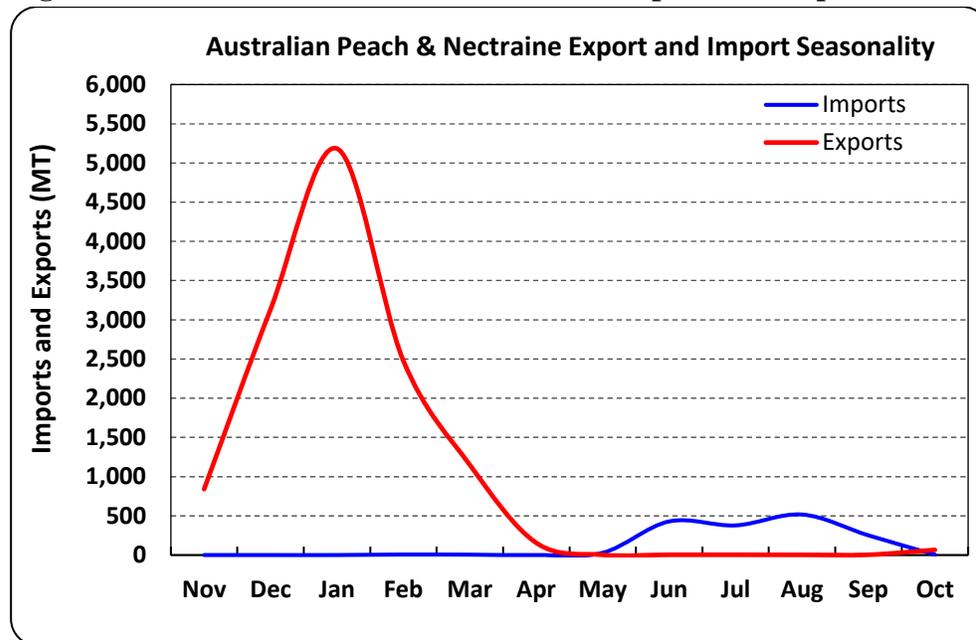
Exports

Fresh peach and nectarine exports are forecast to increase to 14,000 MT in MY 2023/24, from an estimated 10,000 MT in MY 2022/23, which was downward revised from the official USDA estimate of 14,000 MT. The forecast increase is primarily related to the anticipated larger production in MY 2023/24. With the expectation of not only increased production but also improved quality which will expand the volume of peaches and nectarines suitable for export, further improvements in international freight rates, and the trading tensions between Australia and its major export destination China easing over the last year, a significant expansion of exports is anticipated for the forecast year.

The seasonality of peach and nectarine exports and imports is counter-seasonal (see Figure 12). Exports are typically from November to the end of April, while imports are from May to September. For this report, the exports for the MY 2022/23 (November 2022 through June 2023) estimate are virtually the final results. June is the first month of any significant imports which provide an insight to the MY 2022/23 estimate.

Over recent years, the COVID-19 pandemic disrupted export shipping and air freight resulting in costs peaking around three to four-fold from pre-pandemic rates. However, they have declined substantially over the past year but remain above pre-pandemic levels. The escalation in shipping costs (air and sea) had resulted in a shift in prioritizing products that needed to be air freighted (far more costly than sea freight), and more product was allocated towards sea freight where possible. As a result of the overall peach and nectarine exports, over recent years, there has been a decline in the proportion of peaches exported from around 40 percent (pre-pandemic) to 30 percent (see Figure 13). The proportion has risen from about 60 percent (pre-pandemic) to 70 percent for nectarines.

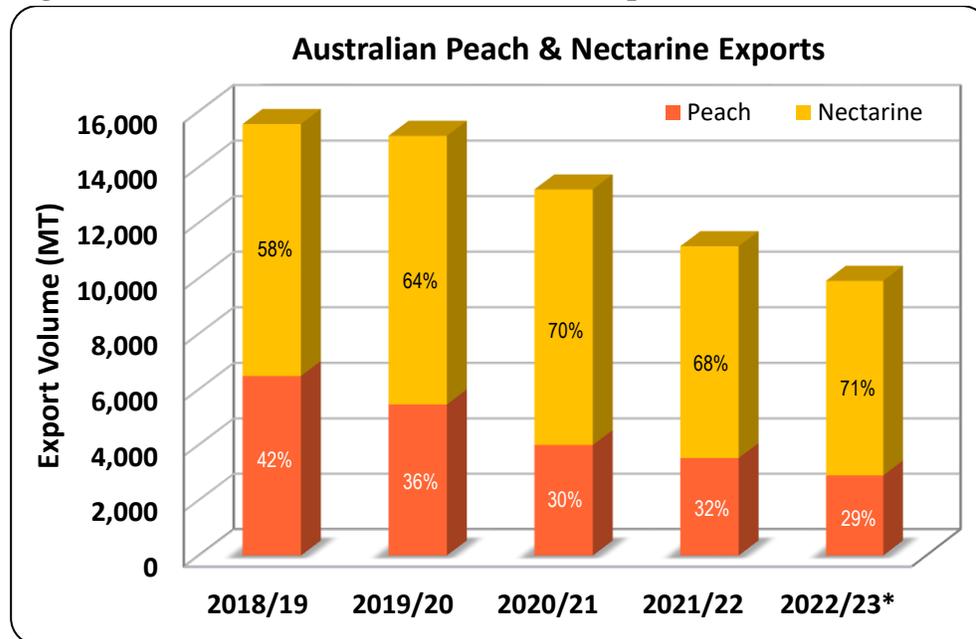
Figure 12 – Australian Peach and Nectarine Export and Import Seasonality



Source: Australian Bureau of Statistics

Note: Five-year average from July 2018 to June 2023

Figure 13 – Australian Peach & Nectarine Exports

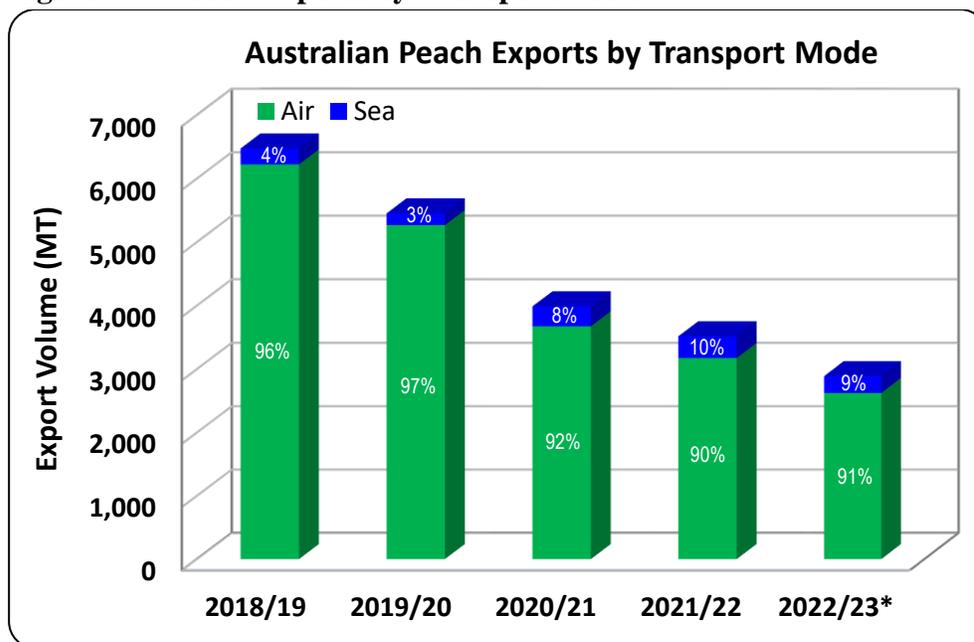


Source: Australian Bureau of Statistics

Note: * = November 2022 to May 2023

Nectarines have a firmer flesh, supporting a longer shelf life than peaches which have a soft flesh resulting in a short shelf life and are generally unsuitable for sea freight other than short voyages. Nectarines therefore have a greater flexibility in the mode of transport for exports compared with peaches. Because of the shorter shelf life of peaches, even during the past few years when there was much reduced international air travel and much higher air freight costs, there was only a very small increase in the rate sea freight of peaches (see Figure 14). Although in recent years there has been lower production of peaches and nectarines, due to freight costs the industry responded by exporting less of the peaches produced and channeling more towards domestic consumption.

Figure 14 – Peach Exports by Transport mode

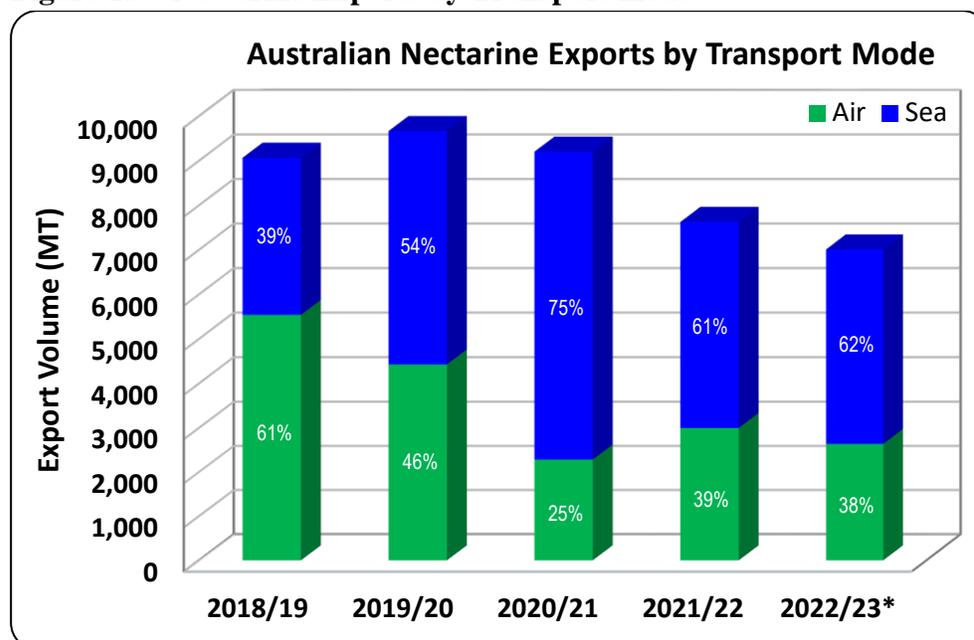


Source: Australian Bureau of Statistics

Note: * = November 2022 to May 2023

Nectarines have been better able to adapt (than peaches) to the big shift in freight rates over recent years by increasing the proportion exported via sea freight compared to air freight (see Figure 15). In doing so this contributed to nectarines contributing to a higher proportion of the overall peach and nectarine exports from Australia.

Figure 15 – Nectarine Exports by Transport mode



Source: Australian Bureau of Statistics

Note: * = November 2022 to May 2023

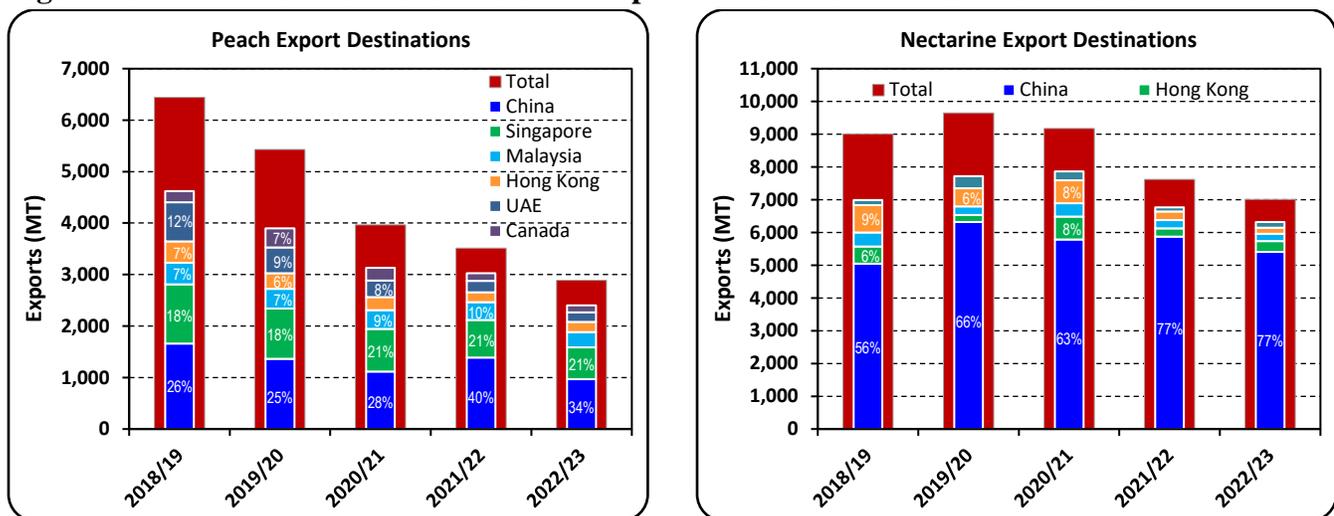
Industry reports that sea freight rates have declined considerably over the last year, and air freight rates, although lower, have not reduced at the same pace. However, this is a lag affect related to the rate at which airlines have been able to re-commission their planes after being mothballed during the COVID-19 pandemic. There are industry reports that this process is continuing, and as supply of cargo hold space on international routes increases, the air freight rates are likely to decline further. With this shift, there is an expectation that for the MY 2023/24 export period, there will begin to be some shift back towards increasing the proportion of peaches exported of the overall peach and nectarine exports (primarily through increased peach exports via air freight). This situation will partially support the forecast increase in peach and nectarine exports for MY 2023/24.

A further factor that supports the forecast increase in exports is the thawing of trade relations tensions between Australia and China. For a period after the commencement of the COVID-19 pandemic, Chinese government officials ceased all dialogue with Australian government officials after Australia called for and rallied other nations for the World Health Organization to investigate the origins of COVID-19. China also coincidentally applied tariffs on Australian barley imports and imposed bans on coal, wine, lobsters, forestry, and specific meat processors, for various reasons. However, the current federal labor government has substantially improved the relationship between the Chinese and Australian governments – resulting in China removing the tariffs on barley and the ban on coal imports. Australia anticipates China to ease other trade restrictions in the coming months.

Over the last two years, there have been industry reports from other agricultural sectors not subject to official trade barriers imposed by China, which indicate that they have had various challenges at Chinese ports, impacting on their exports volumes to China. For peaches and nectarines, China is a major export destination for Australia. The improving trade relations is well-timed in the lead-up to the anticipated increase in production and quality of peaches and nectarines for MY 2023/24, which is expected to result in a higher volume of fruit suitable for the export market.

Australian peach exports are diversified, with around 80 percent of trade to six countries, mainly in Asia, but China has been the main destination for about one-third of exports in recent years (see Figure 16). However, in recent years, nectarine exports to China have been over three-quarters of overall exports (see Figure 16). Over recent years, the combined peach and nectarine exports to China have represented around 65 percent of overall exports, and volumes have remained strong despite lower export volumes from Australia in recent years.

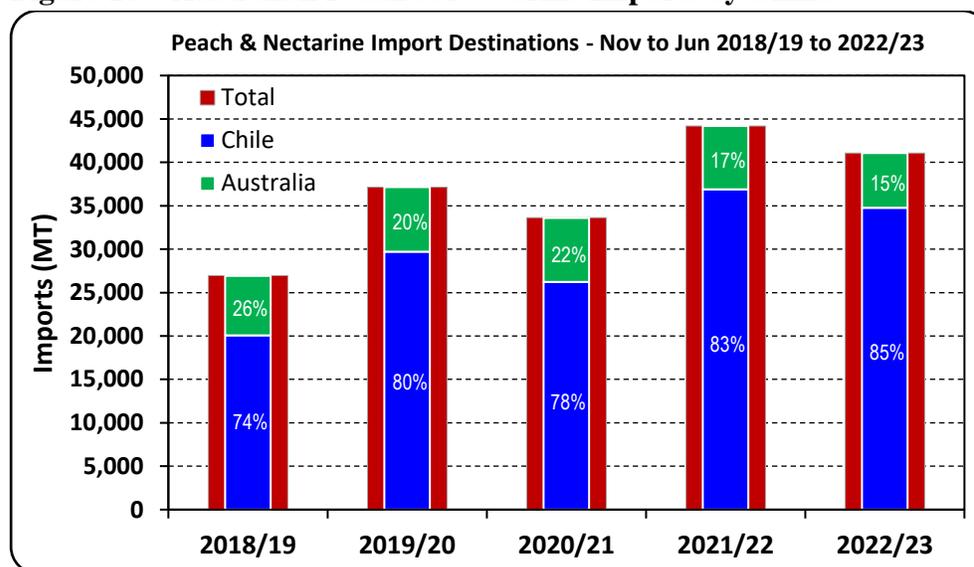
Figure 16 – Australia Peach and Nectarine Exports – Nov to Jun 2018/19 to 2022/23



Source: Australian Bureau of Statistics

Over the last five years, China has been importing and broadly increasing volumes of peaches and nectarines from only two sources, Chile, and Australia. Over recent years, Australia has supplied around 15 to 20 percent of China’s peach and nectarine imports, and the proportion has declined somewhat over the last two years (see Figure 17). However, if China’s increasing trend of peach and nectarine imports continues, Australia may improve its market share in the forecast year with the expectation of a higher volume of peaches and nectarines suitable for the export market in MY 2023/24.

Figure 17 – Australian Peach & Nectarine Imports by China



Source: Trade Data Monitor

Imports

Imports are forecast to improve to 1,800 MT in MY 2023/24 from 1,000 MT estimated for MY 2022/23. Peach and nectarine imports are counter-seasonal and have almost entirely been from the United States, all arriving via air freight. Very small volumes are also imported from China and New Zealand, but only up to four percent per annum of overall imports in recent years. Traders indicate that for the current MY 2021/22 season, the quality of United States peaches and nectarines is high. However, retail prices are also high at around AU\$20 per kilogram (US\$6 per pound). However, one of Australia’s two major supermarket chains in Australia has opted out of selling counter-seasonal peaches and nectarines in this current MY 2022/23 season which is negatively impacting the import volume estimate.

As previously mentioned, for cherries, there is an expectation that air freight costs will become even more competitive for the forecast year. Given the above situation, industry traders are hopeful that the major supermarket chain will return to stocking imported peaches and nectarines, which would support the forecast improvement of import volumes for MY 2023/24.

Table 3 - Production, Supply, and Distribution of Fresh Peaches & Nectarines

Peaches & Nectarines, Fresh Market Year Begins	2021/2022		2022/2023		2023/2024	
	Nov 2021		Nov 2022		Nov 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Australia						
Area Planted (HA)	1850	1850	1850	1850	0	1850
Area Harvested (HA)	0	0	0	0	0	0
Bearing Trees (1000 TREES)	3700	3700	3700	3700	0	3700
Non-Bearing Trees (1000 TREES)	400	400	400	400	0	400
Total Trees (1000 TREES)	4100	4100	4100	4100	0	4100
Commercial Production (MT)	80000	81000	90000	80000	0	90000
Non-Comm. Production (MT)	0	0	0	0	0	0
Production (MT)	80000	81000	90000	80000	0	90000
Imports (MT)	1800	1000	1800	1000	0	1800
Total Supply (MT)	81800	82000	91800	81000	0	91800
Domestic Consumption (MT)	70600	70800	77800	71000	0	77800
Exports (MT)	11200	11200	14000	10000	0	14000
Withdrawal From Market (MT)	0	0	0	0	0	0
Total Distribution (MT)	81800	82000	91800	81000	0	91800
(HA) ,(1000 TREES) ,(MT)						

Attachments:

No Attachments