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Australia

Stone Fruit Annual

2016

Approved By:
Roger Farrell, Agricultural Specialist

Prepared By:
Roger Farrell, Agricultural Specialist

Report Highlights:
Australian cherry production is forecast by Post to be 16,000 metric tons in 2016/17. Exports are expected to be stable at 6,000 MT in 2016/17, but to then increase as export markets such as South Korea reduce barriers. Production of peaches and nectarines is forecast to be flat at 90,000 MT in 2016/17 because of low domestic prices and subdued demand. However, the opening of the Chinese market for Australian nectarines in 2017 is expected by Post to boost exports to 13,000 MT in 2016/17. Counter-seasonal stone fruit imports from the United States began in mid-2013. In July 2016, Australia approved access for apricots and hybrids of apricots and other stonefruit from approved Californian counties, which should gradually lead to increased US exports of stonefruit into the Australian market.

EXECUTIVE SUMMARY:

The stonefruit industry in Australia has experienced a number of difficult years because of seasonal variation and a lack of export markets, especially for peaches and nectarines. Cherry production in Australia is expected to remain at 16,000 MT in 2016/17 but to increase to 20,000 MT by 2020 due to maturing trees and gradually increasing export demand. Production of peaches and nectarines is forecast to be flat at 90,000 MT in 2016/17 because of low domestic prices and subdued demand. However, the opening of the Chinese market for Australian nectarines in mid-2016 is expected by Post to boost overall exports to 13,000 MT in 2016/17.

The stone fruit industry in Australia is dominated by cherry, peach and nectarine production, with smaller apricot and plum orchards. The industry is labor-intensive and mostly seasonal. It comprises many small-scale family farms, although there is a growing trend towards medium to larger scale operations. Victoria, NSW and Tasmania are the major stone fruit producers. Most of the harvest occurs during summer, with nectarines available from November to April, peaches from September to May and cherries from November to February.

Around 80 percent of stone fruit are sold fresh to the metropolitan wholesale markets in Brisbane, Sydney, Melbourne and Adelaide. Smaller quantities are marketed in Perth and Hobart. A small but increasing quantity of stonefruit is exported at prices considerably above those in domestic markets. Counter-seasonal stone fruit imports from the United States began in mid-2013.

Between 2002 and 2015, apparent per capita domestic consumption of processed fruit decreased in Australia by around 40 percent, while per capita consumption of fresh fruit such as cherries, peaches and nectarines increased by over ten percent. Increased demand for fresh fruit in Australia instead of canned fruit has occurred as fresh fruit supplies increased due to better storage and transportation methods. The volume of stone fruit processed by the cannery industry has declined from over 60,000 MT in 2005 to around 10,000 MT in 2015.

Commodities:

Fresh Cherries,(Sweet&Sour)

Fresh Peaches & Nectarines

CHERRIES

Production

The Australian cherry industry is a comparatively small producer of cherries, with about one percent of world output. Post forecasts Australian cherry production will be stable at 16,000 MT in 2016/17. Output of cherries is expected to increase over the next few years, as trees mature and due to buoyant export prospects. Export markets such as South Korea have become more open for Australian due to a phasing out of a 25 percent import tariff. This trend should encourage further plantings to facilitate exports in the future. With new cherry plantings, production could reach 20,000 MT by 2020. Locally produced cherries supply demand during the Australian season, supplemented by imported cherries out of season, predominately from the United States.

Australian cherries are available from mid-to-late October to late February and are produced in six states, with NSW, Victoria and Tasmania as the three largest producers. Tasmania expanded plantings in recent years and has a strong export focus, enhanced by its relative pest and disease free status. Both Western Australia and Queensland are relatively small producers primarily focusing on the domestic market. There are an estimated 500 cherry growers in Australia with around 3,300 hectares under production nationally.

The Australian cherry season lasts 100 days over the spring and summer months. The first cherry harvest starts in October/November in the eastern mainland states and extends through to late February with the majority of cherry crops harvested during December and January. Climatic conditions influence the harvest time across the six main cherry growing states. NSW, Queensland, South Australia and Victoria are the first to supply the market, followed by Western Australia and Tasmania in December and January. Tasmania has the shortest harvest window at around eight weeks, with the other states having three to four months of harvest.

Varietal diversity impacts seasonality and timing of harvest in Australia with wide-ranging premium stone fruit varying in color, flavor and taste amongst a short supply season. The main growing areas are the Young, Orange and Bathurst regions of NSW, the Dandenong Ranges of Victoria, the Mt. Lofty Ranges and Riverland area of South Australia and the Huon and Derwent Valleys of Tasmania. Seasonal factors such as rainfall, humidity and frost have the capacity to impact the volume and quality of cherry crops with precise care and management required by orchardists at harvest to maximize crop output. A recent development has been the establishment of greenhouses in Tasmania and Victoria as insurance against seasonal variations and to extend the harvest time for cherries to enable Australia to supply the Chinese market during the Chinese New Year period.

Consumption

The cherry industry's marketing approach is to increase the consumption of fresh Australian cherries by encouraging the impulse purchase of the fruit and by promoting the health credentials of cherries. The industry has used the campaign *Cherish the Moment* to help maintain domestic consumption. Over 20 percent of cherry purchases are traditionally made in the week leading up to Christmas although the availability of counter-seasonal import may gradually lower this share as around-the-year consumption increases.

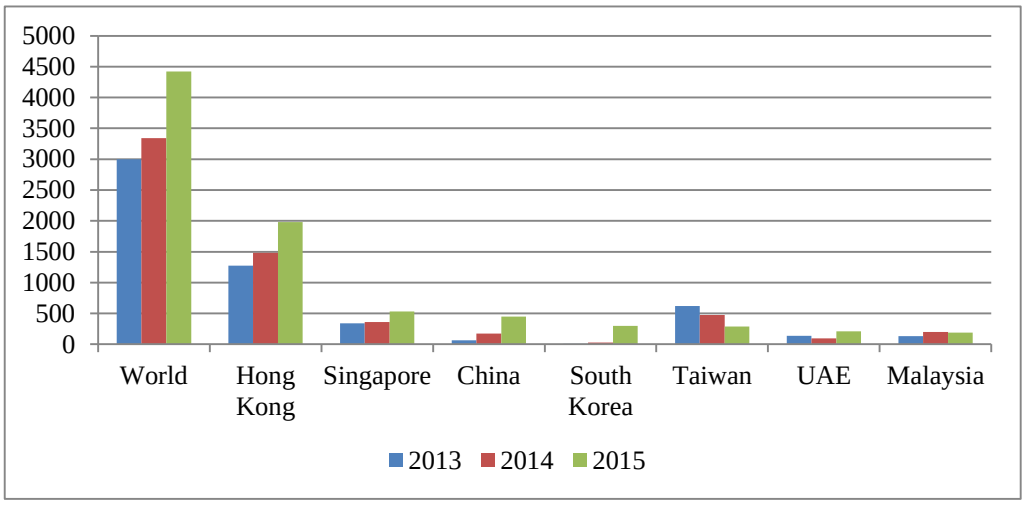
Consumer research suggests that cherries are largely an impulse buy. The key drivers for purchasing cherries are quality and price, followed by the firmness of cherries, whether the fruit is blemish-free and the color is good. Research by the industry also found that 90 percent of cherries are consumed fresh. Consumers were found to have a low awareness of the country of origin of cherries. Most consumers buy cherries in summer while the Australian fruit is in season and tend to buy smaller quantities of cherries during winter. Supermarkets are the usual retail outlet for buyers of cherries.

Trade

Exports of cherries for the 2016/17 season are forecast by Post at 6,000 MT, the same as in the previous season. Australian exports by country are given in figure 1 below. The domestic market has traditionally accounted for two thirds of production, but exports are steadily increasing their share because of higher returns for growers. Almost all cherries are exported in the three months from November. Immediately after harvest cherries are hydro-cooled and packed into 2kg and 5kg cartons designed to meet market protocols (see table 1 below).

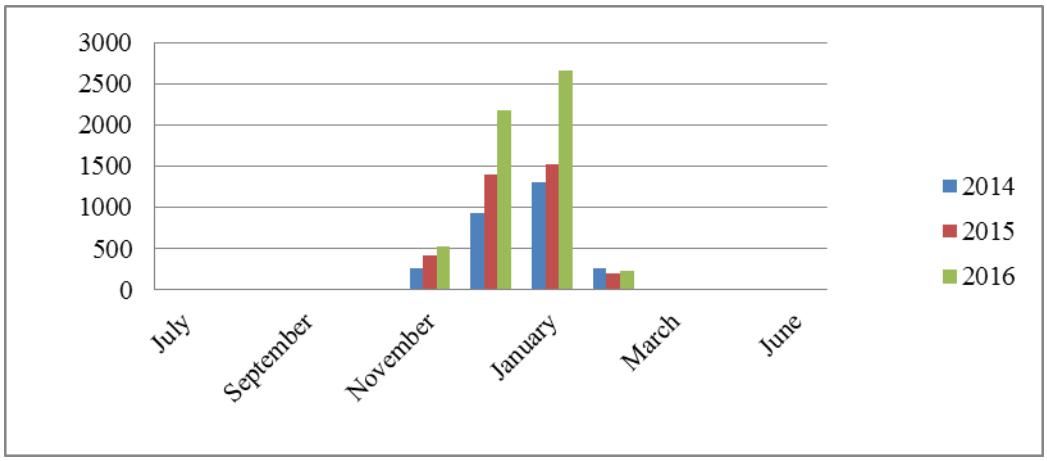
Hong Kong has been the major export market for Australian cherries and accounted for 45 percent of the export volume in 2015. Over 400 MT exported direct to China, making it the second largest market by value. Exports to South Korea have begun to increase because of the phasing out of tariff duties on import tariffs under the Korea-Australia FTA (KAFTA). Australian cherry exports to the United States market are possible under an existing biosecurity protocol but are not commercially viable due to airfreight costs. Almost all cherry imports into Australia are from the United States and California in particular. They are mostly marketed from July to September and therefore do not compete directly with Australian grown cherries but provide consumers with a more continuous supply of fruit through the year.

Figure 1: Australian cherry exports by country, 2013-2015 (MT)



Source: World Trade Atlas (2016).

Figure 2: Australian exports of fresh cherries by month, 2014-16 (MT)



Source: Australian Cherry Association

Table 1: Market access and protocol requirements for Australian cherry exports by country

		Country protocol requirements for exports of cherries				
Entity to be registered	Protocol	China	Taiwan	Thailand	Japan (TAS)	Korea (TAS)
Orchard	Area freedom	Yes	Yes	Yes	Yes	Yes
	Cold treatment	Yes	Yes	Yes	N/A	N/A
Pack house	Area freedom	N/A	Yes	Yes	Yes	Yes
	Cold treatment	Yes	Yes	Yes	N/A	N/A
Treatment facility	Area freedom	N/A	N/A	N/A	N/A	N/A
	Onshore cold treatment	Yes	Yes	Yes	N/A	N/A

Source: Australian Department of Agriculture, 2016.

Production, Supply and Demand Data Statistics:

Fresh Cherries,(Sweet&Sour)	2014/2015		2015/2016		2016/2017	
Market Begin Year	Nov 2014		Nov 2015		Nov 2016	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	3120	0	3300	0	3300
Area Harvested	0	3100	0	3100	0	3100
Bearing Trees	0	5900	0	5900	0	5900
Non-Bearing Trees	0	600	0	800	0	800
Total Trees	0	6500	0	6700	0	6700
Commercial Production	15000	15000	16000	16000	0	16000
Non-Comm. Production	0	0	0	0	0	0
Production	15000	15000	16000	16000	0	16000
Imports	1100	2700	2700	2700	0	2700
Total Supply	16100	17700	18700	18700	0	18700
Fresh Dom. Consumption	9600	12200	12700	12700	0	12700
Exports	6500	5500	6000	6000	0	6000
For Processing	0	0	0	0	0	0
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	16100	17700	18700	18700	0	18700
(HA) ,(1000 TREES) ,(MT)						

FRESH PEACHES AND NECTARINES

Overview

Australian summer stonefruit is produced by around 1,200 growers across the country. Growers produce up to 100,000 MT of fruit from October to April each year. Supply of summer stone fruit is based on a staggered flow of different varieties, each lasting up to two weeks. Early season stonefruit comes from sub-tropical Queensland and northern areas of Western Australia and NSW and are followed by crops from areas such as mid to southern NSW, parts of Victoria such as Swan Hill and the Riverland of South Australia. Fruit from cooler climates are last to market. Overall Renmark, Swan Hill and the Goulburn Valley (Shepparton and Cobram) represent over half of Australia's summer fruit production.

In recent years, the peach and nectarine industry has been affected by adverse weather patterns, a lack of export markets, the high Australian dollar and changing consumer preferences away from canned fruit. With revenue continuing to decline in recent years, some fruit growers left the industry while others decided to pull up older trees to lower costs. A further problem was the closure of a number of established markets such as Vietnam and Malaysia, while increased regulatory barriers have affected exports to Hong Kong and indirectly to China. A lack of export markets also contributed to low domestic prices for these stonefruit.

Production

Production of peaches and nectarines is forecast to be flat at 90,000 MT in 2016/17 because of low domestic prices and subdued demand. However, the opening of the Chinese market for Australian nectarines from 2017 is expected by Post to boost production in coming years and to contribute to an increase in exports to 13,000 MT in 2016/17.

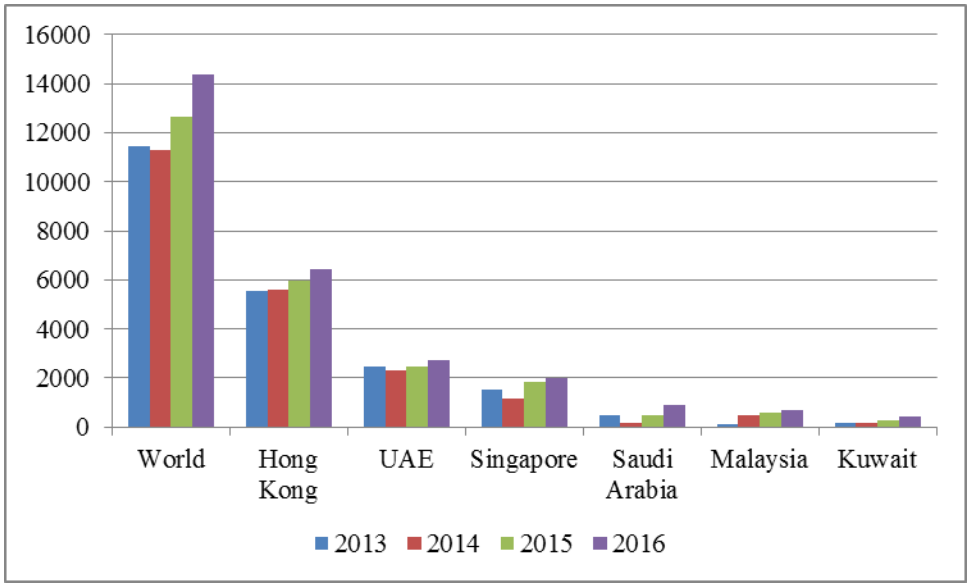
Post notes that production of peaches and nectarines has been difficult to estimate in recent years due to incomplete surveys and levy coverage. Between 2005 and 2013, production of stonefruit declined by 20 percent for nectarines and 40 percent for peaches due to shortages in water allocations, the impact of drought and reduced market demand for fruit for processing and canning. Since then, production has been estimated by Post at around 90,000 MT based on Australian Bureau of Statistics data and industry estimates. It is expected that the new agricultural census due in late 2016 will provide much more detailed statistics on the industry.

Trade

Exports

Post forecast that Australian exports of peaches and nectarines in 2016/17 will increase to 13,000 MT because of increased market access opportunities. Australian exports of these stonefruit by country are given in figure 3 below. In May 2016, Australia and China reached agreement on import protocols for trade in nectarines, following the earlier signing of a bilateral free trade agreement China-Australia Free Trade Agreement (ChAFTA). The opening of the Chinese market for nectarines is reportedly the first new export market for these stonefruit producers in two decades. Further, under ChAFTA Australian nectarines will face a tariff of only four percent in China from January 2017. This will be a decrease from the 10 percent duty currently applying. Post expects that this increase in market access will contribute to an increase in overall stonefruit exports in 2016/17 to 13,000 MT.

Figure 3: Australian stonefruit exports by country, 2013-2016



Source: World Trade Atlas.

Central to the market access agreement was China's recognition that the Riverland region in South Australia is fruit fly free, so that growers in the region will be able to export nectarines to the Chinese market without the pest management requirements that exist for other commodities. Previously, Tasmania was the only state in Australia that experienced fruit fly free status from China. To obtain export approval for the Chinese market, nectarines produced outside of Tasmania and the Riverland need to comply with stringent fruit fly treatments. Nectarines from Western Australia will need to undergo cold treatment at 2.1°C degrees for 21 days or a combination with methyl bromide. Nectarines from eastern states can be shipped using cold treatment at 3°C for 18 days or a combination with methyl bromide.

Imports

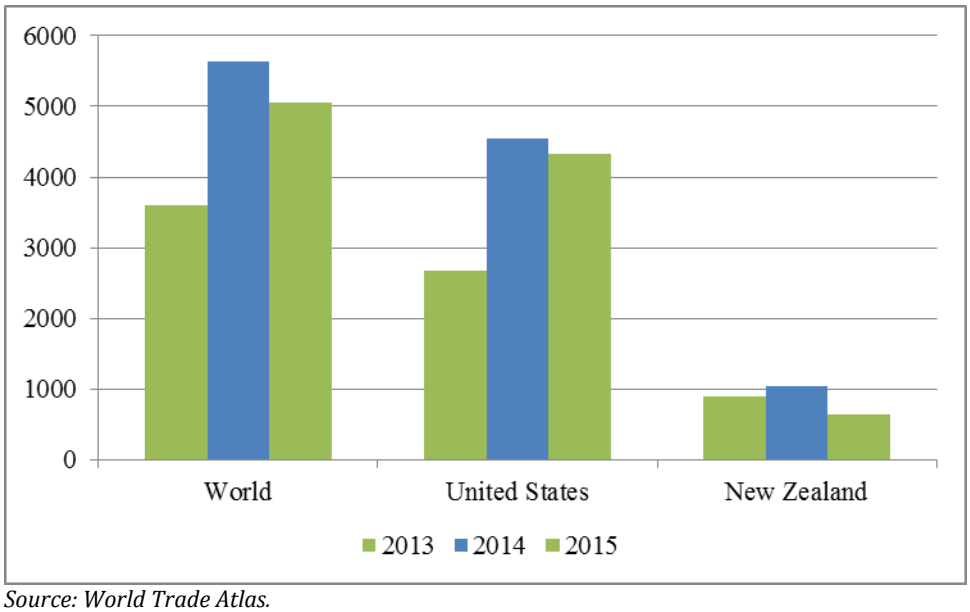
Post forecast that Australian imports of peaches and nectarines will increase to 8,000 MT in 2016/17 partly due increase in imports from China under the recent market access agreement, as well as a rebound in US stonefruit imports into Australia. Imports of stonefruit into the Australian market by country are shown in figure 4 below.

Imports of stonefruit into the Australian market from the United States were approved in late 2013 and increased to 6,000 MT in 2015 but then slowed due to a range of factors including adverse seasonal conditions in the United States, the slowing Australian economy, lower consumer confidence and the weaker Australian dollar.

U.S. exports of stonefruit to Australia must be airfreighted and producers in California typically ship stone fruit until mid-September. Both peaches and nectarines are sold by Australia's largest retailers, Coles and Woolworths through mid-October when local production is unavailable. Surveys have found that Australian demand for stone fruit is considerably lower during winter than in the summer, but demand is expected to gradually increase.

In early 2015, Australia granted market access for plums from the United States and small shipments have already entered the market. In July 2016, Australia approved access for apricots and hybrids of apricots and other stonefruit from approved Californian counties. Demand for these stonefruit in the Australian market is expected to gradually increase.

Figure 4: Australian stonefruit imports by country, 2013-2015



Source: World Trade Atlas.

Production, Supply and Demand Data Statistics:

Fresh Peaches & Nectarines	2014/2015		2015/2016		2016/2017	
Market Begin Year	Nov 2014		Nov 2015		Nov 2016	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1700	1700	1700	1700	0	1700
Area Harvested	0	0	0	0	0	0
Bearing Trees	3400	3400	3400	3400	0	3400
Non-Bearing Trees	250	250	250	250	0	250
Total Trees	3650	3650	3650	3650	0	3650
Commercial Production	90000	90000	90000	90000	0	90000
Non-Comm. Production	0	0	0	0	0	0
Production	90000	90000	90000	90000	0	90000
Imports	1300	6000	6000	6000	0	8000
Total Supply	91300	96000	96000	96000	0	98000
Fresh Dom. Consumption	72800	75000	75000	75000	0	75000
Exports	8500	11000	11000	11000	0	13000
For Processing	10000	10000	10000	10000	0	10000
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	91300	96000	96000	96000	0	98000
(HA) ,(1000 TREES) ,(MT)						