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Australia

Citrus

Annual

2005

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Report Highlights:
Fresh orange production in 2006/07 is forecast at 550 TMT, down slightly on the revised number for the previous year. Production of fresh oranges for 2005/06 is estimated at 571 TMT, as above average seasonal conditions following years of drought led to a sharp increase in production. Orange juice imports in 2005/06 are estimated at 40,000, up sharply on a surge in imports from Brazil which now accounts for 95 percent of Australia's import supply. In October 2005, Australia announced an import protocol with China which covers all major commercial varieties of citrus fruit, including oranges, mandarins, lemons and grapefruit.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Canberra [AS1]
[AS]

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SECTION ONE: SITUATION AND OUTLOOK

General

Above average weather conditions in the lead-up to harvesting the 2005/06 crop have greatly improved estimated production. This recovery follows years of prolonged drought. Increased rainfall greatly improved soil moisture levels as well as increasing reserves of irrigation water. This change in weather conditions has allowed production in 2005/06 to rebound to levels experienced prior to the drought.

Improved weather conditions in 2005/06 combined with Post's assumption of average weather conditions in the lead up to harvesting the 2006/07 crop have provided a forecast production level consistent with the historical long-term average. A sudden return to drought conditions, or a continuation in above average conditions, will likely result in a revision of Post's 2006/07 forecast.

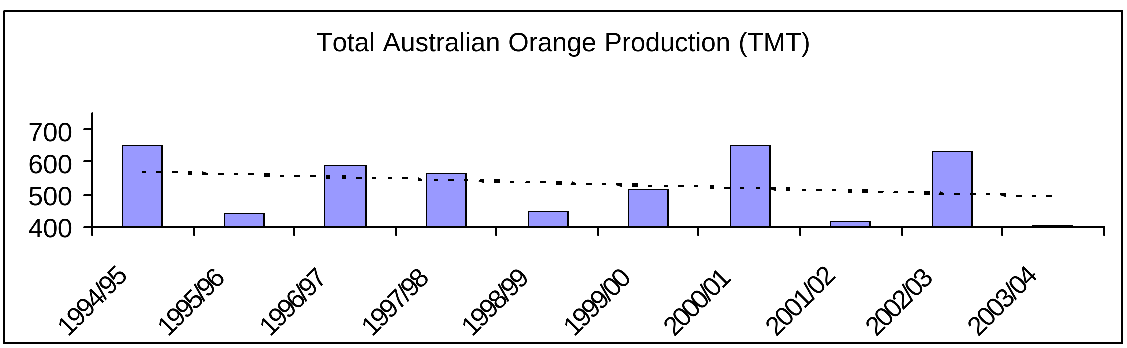
Fresh Oranges

Production

Fresh orange production in 2006/07 is forecast at 550 TMT, down slightly on the revised number for the previous year. This forecast assumes average weather conditions and remains largely in line with the long-term average establishing using ABARE historical data. Recent drought conditions have created a downward trend for production however post has assumed that, for the foreseeable future, drought conditions have abated and that production in 2006/07 is likely to remain above the established trend line, at around the ten year average.

Production of fresh oranges for 2005/06 is estimated at 571 TMT, up sharply on the number previously reported by post (AS #4041). Above average seasonal conditions in the lead up to harvest, following years of drought, is responsible for the sharp increase in production.

Improved seasonal conditions have greatly increased irrigation water supplies as well as soil moisture. Post anticipates that fresh orange production is likely to remain at levels more reflective of those prior to that drought which commenced in 2001/02.



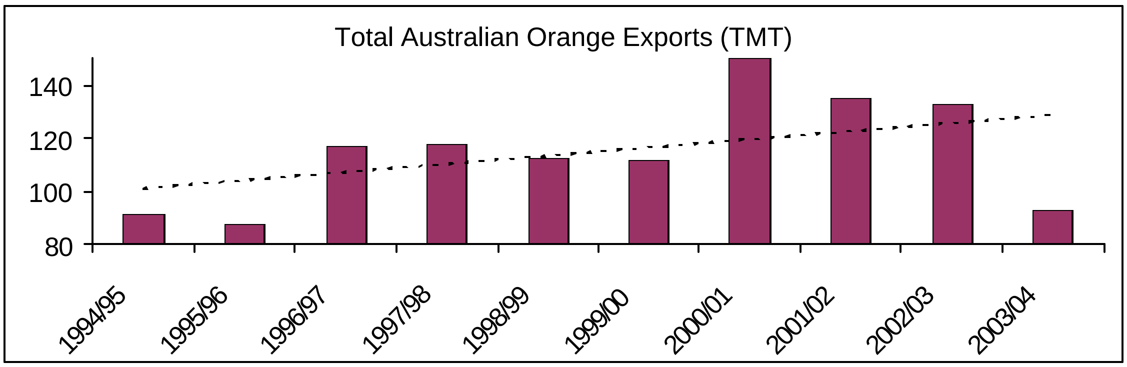
Source: ABARE data (July June)

Exports

Exports of fresh oranges for 2006/07 are forecast at 115 TMT, down on the revised figure for the previous year. Despite this fall, this forecast would reflect the long-term average for orange exports.

Fresh orange exports for 2005/06 are estimated at 125 TMT, up sharply on the number in posts previous report. Sharply increased production levels have lead to exports surpassing posts previous expectations. Despite this estimate being above the long-term average for exports, it remains in line with the long-term trend of increased exports as a percentage of the total crop.

The United States remained Australia largest export market for fresh oranges in 2004/05, receiving 21 percent (22 TMT) of total exports (106 TMT). Asian markets accounted for the next four largest destinations and 55 percent of total exports.



Source: ABARE data (July June)

Imports

Imports for 2006/07 are forecast at 17 TMT, up on the revised figure for the previous year. Imports of fresh oranges for 2004/05 are estimated at 15 TMT, up sharply on the figure previously reported by post. As imports represent a relatively small portion of domestic consumption, Post anticipates continued import growth beyond the forecast period, despite little change in domestic consumption.

Imports of fresh oranges for 2004/05 reached nearly 17 TMT. The United States supplied around 95 percent of these imports.

Consumption

Fresh domestic consumption for 2006/07 is forecast at 49 TMT, unchanged the estimated for the previous year.

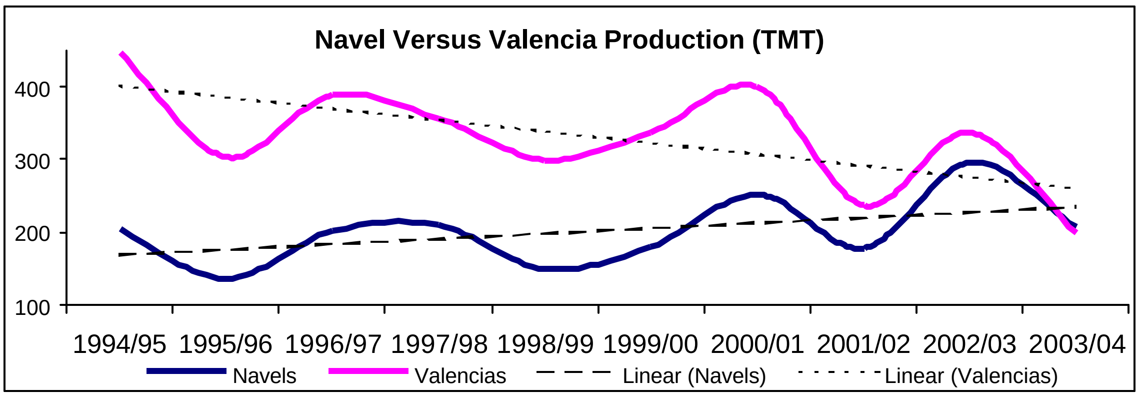
Official consumption figures are no longer available. Figures reported by post are derived from production and export numbers.

Orange Juice

Production

Australian orange juice production for 2006/07 is forecast at 16,923 MT. This figure assumes deliveries to processors in the order of 220,000 MT with post using a conversion factor of 13 to convert orange deliveries to orange juice production. Lower production of fresh oranges in 2006/07 is expected to lower the availability of fresh oranges for processing. Production of orange juice for 2005/06 is estimated at 17,385 TMT, up on the figure previously reported by post.

Orange juice production in Australia is believed to be in long-term decline. Competition from cheaper imported juice from countries such as Brazil has placed downward pressure on local juice production. This trend is evidenced in the long-term decline in Valencia production, a variety that has traditionally made up the majority of oranges supplied for processing. Historical ABARE figures have Valencia production falling while Navel orange production continue to climb.



Source: ABARE data (July June)

Exports

Australian orange juice exports for 2006/07 are forecast at 2500 MT, up on the revised figure for the previous year. If achieved, exports will account for less than 15 percent of total production, despite the forecast increase. The reduction in Valencia production over the past decade is likely to continue beyond the forecast period and this is likely to reduce supplies of oranges suitable for processing and export as juice.

Imports

Imported citrus juice in 2006/07 is forecast at 34,000 MT, down on the revised estimate for the previous year. Despite this fall, if achieved this would represent a historically high figure.

Imported orange juice in 2005/06 is estimated at 40,000, up sharply on the figure previously reported by Post. A surge in imports from Brazil, has effectively accounted the entire upward revision. Brazil now accounts for 95 percent of Australia's import supply. Argentina accounts for just over one percent while the US accounts for less than one percent.

Consumption

Orange juice consumption in 2006/07 is forecast at 49,000 MT, unchanged from the revised figure for the previous year. Official consumption figures for orange juice are no longer available. Figures quoted by post are derived from production and trade numbers.

Quarantine

Canker outbreak: On July 6, 2004, Australian authorities confirmed the detection of citrus canker in an orchard in Emerald, a relatively remote area in central Queensland. Legislation was introduced to establish a quarantine zone around the outbreak site. On October 8 2004, a second outbreak was confirmed, although this property was also located within the legislated quarantine zone.

Australia has declared itself to be free of citrus canker, despite experiencing periodic outbreaks. The first outbreak occurred in the Northern Territory in 1912 and subsequent outbreaks were discovered in 1991 and 1993. Queensland experienced its first outbreak on Thursday Island in 1984 and then most recently on the mainland in July of 2004.

U.S. citrus: Currently, citrus from Florida is not allowed access to the Australian market, due to pests of quarantine concern. Biosecurity Australia, the government organization responsible for quarantine policy, released a draft policy (Draft Import Risk Analysis Report) for the importation of citrus from the U.S. state of Florida in July 2003. Technical negotiations to address possible disease concerns are ongoing. Gaining access for Florida citrus into the Australian market is a priority for the United States.

Most U.S. citrus now entering Australia is sourced from California. Under current import protocols, U.S. citrus must be certified pest and disease free.

Industry Organization

Levies are assessed to fund citrus research and development (R&D) and market development activities. Levies are usually applied at the first point of sale and are collected by the Commonwealth government on a cost recovery basis and the Commonwealth matches grower levies for R&D on a one-for-one basis.

Currently, national citrus levies are A$2.00 per metric ton on all citrus for R&D and A$0.75 per MT on oranges for marketing and promotion. The total of grower levies collected per year averages about A$1.9 million, which results in a marketing program of about A$400,000 and R&D projects of about A$2.5 million (including matched funds.)

Australian Citrus Protocol With China

In late October 2005, the Deputy Prime Minister and Minister for Trade, Mark Vaile, and the Minister for Agriculture, Fisheries and Forestry, Peter McGauran, announced that Australian citrus growers will soon be able to export to China under a new protocol. Mr. Vaile heralded the protocol as a major breakthrough which covers all major commercial varieties of citrus fruit, including oranges, mandarins, lemons and grapefruit, and from all of Australia's citrus producing areas. Minister Vaile noted the protocol “establishes a foothold in this important market, significantly boosting our long-term export opportunities."

Mr. McGauran said that the protocol allows for in-transit, cold treatment of citrus under a regime that, while challenging, is one that Australian exporters are already meeting successfully in other markets. He remarked, "It's also flexible, in that conditions can be further refined in consultation with Chinese quarantine officials as new technical information becomes available."

Australian and Chinese quarantine authorities will move quickly to implement the protocol's operational arrangements - enabling the trade to begin before the end of the current season, with the full benefits to be realized by next season. Mr. McGauran said the breakthrough represents a real shot in the arm for the Australian citrus industry, particularly given the difficulties it has faced in recent years.

SECTION TWO: STATISTICAL TABLES

PSD Table
Oranges, Fresh

	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		04/2004		04/2005		04/2006	MM/YYYY
Area Planted	32000	32000	32000	32000	0	32000	(HECTARES)
Area Harvested	27000	27000	27000	27000	0	27000	(HECTARES)
Bearing Trees	6026	6026	6045	6045	0	6060	(1000 TREES)
Non-Bearing Trees	1124	1124	1130	1130	0	1150	(1000 TREES)
TOTAL No. Of Trees	7150	7150	7175	7175	0	7210	(1000 TREES)
Production	461	453	500	571	0	550	(1000 MT)
Imports	13	13	10	15	0	17	(1000 MT)
TOTAL SUPPLY	474	466	510	586	0	567	(1000 MT)
Exports	98	92	110	125	0	115	(1000 MT)
Fresh Dom. Consumption	176	174	190	226	0	220	(1000 MT)
Processing	200	200	210	235	0	232	(1000 MT)
TOTAL DISTRIBUTION	474	466	510	586	0	567	(1000 MT)

PSD Table
Orange Juice

	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Deliv. To Processors	200000	200000	210000	226000	0	220000	(MT)
Beginning Stocks	1585	1585	1331	438	1384	6614	(MT)
Production	15384	15385	16153	17385	0	16923	(MT)
Imports	31362	25378	31000	40000	0	34000	(MT)
TOTAL SUPPLY	48331	42348	48484	57823	1384	57537	(MT)
Exports	2000	1910	2100	2209	0	2500	(MT)
Domestic Consumption	45000	40000	45000	49000	0	49000	(MT)
Ending Stocks	1331	438	1384	6614	0	6037	(MT)
TOTAL DISTRIBUTION	48331	42348	48484	57823	0	57537	(MT)