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Australia

Stone Fruit Annual

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Report Highlights:

Australian cherry production is forecast to increase to 18,000 metric tons (MT) in 2018/19, up 12.5 percent from the previous year. Exports are expected to grow to 7,000 MT in 2018/19 compared to 5,000 MT a year earlier as mainland cherries have improved access into the Chinese market. Production of peaches and nectarines is forecast at 94,000 MT in 2018/19, up 2 percent compared to the previous year. Exports of peaches and nectarines are expected to increase to 15,000 MT in 2017/18 due to improved market access into the Chinese market. Counter-seasonal stone fruit imports, mainly from the United States, are forecast to be steady at 3,400 MT in 2018/19, the same as the previous year.

Commodities:

Fresh Cherries (Sweet and Sour)

Fresh Peaches and Nectarines

EXECUTIVE SUMMARY

Post forecasts cherry production in Australia at 18,000 MT in 2018/19 continuing the recovery of last year. Cherry exports are forecast to increase to 7,000 MT in 2018/19, 40 percent above the previous year as the China continues to import from Australia. Imports of cherries, mainly from the United States, are forecast at 2,500 MT in 2018/19, down slightly from the previous year.

Production of peaches and nectarines is expected to increase slightly to 94,000 MT in 2018/19, assuming continuing favorable weather conditions and sufficient access to irrigation water. Exports of peaches and nectarines are expected to increase to 15,000 MT in 2018/19 due to better market access into key markets, especially into China. Imports of peaches and nectarines in 2018/19 are mainly from the United States and are forecast to be steady at 3,400 MT.

The stone fruit industry in Australia is dominated by cherry, peach, and nectarine production, with smaller output of apricot and plum orchards. The industry is labor-intensive and mostly seasonal. It comprises of many small-scale family farms, although there is a growing trend towards medium to larger scale operations. Victoria, New South Wales (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.

More than 50 percent of stone fruits are sold fresh to metropolitan wholesale markets in Brisbane, Sydney, Melbourne, and Adelaide. Smaller quantities are marketed in Perth and Hobart. An increasing quantity of stone fruit is exported at prices considerably above those in domestic markets. Producers are likely to increase the share of exports due to higher overseas prices. Counter-seasonal stone fruit imports from the United States began in mid-2013 and now include apricots, nectarines, peaches, and other stone fruit varieties.

There has been a significant trend away from production and consumption of processed peaches and nectarines and towards consumption and export of fresh fruit. One reason is the relatively high cost of local processing compared to imports, as well as a sustained shift in consumer preferences towards fresher fruit.

Between 2002 and 2017, per capita domestic consumption of processed fruit decreased by around 40 percent, while per capita consumption of fresh fruit such as cherries, peaches, and nectarines expanded by around ten percent. Over time, improved storage and transportation methods have facilitated sales of fresh fruits. The volume of stone fruit processed by the cannery industry has declined from over 60,000 MT in 2005/06 to a forecast of 8,400 MT in 2018/19.

CHERRIES

Production

Post forecasts cherry production in Australia at 18,000 MT in 2018/19 after sharply falling to 10,000 MT in the previous year as a result of unfavorable seasonal conditions, including heavy spring rainfall. Exports of cherries contracted to 2,500 MT in 2016/17, 50 percent below the official estimate as a result of these adverse weather conditions. Imports of cherries mainly from the United States fell to 2,200 MT in 2016/17, but are forecast to recover to 2,700 MT in 2017/18.

The Australian cherry industry is comparatively small and accounts for around one percent of world output. There are over 500 cherry growers in Australia with an estimated 3,300 hectares under production. Modern production systems are used in orchards with most of the newer plantings trained to open bush systems and orchards are often irrigated using low flow systems.

Seasonal factors such as rainfall, humidity, and frost can significantly affect the volume and quality of cherry crops. A recent development has been the establishment of greenhouses in Tasmania and Victoria as insurance against seasonal variations. This development extends the harvest time for cherries, allowing Australia to better supply the Chinese market during the Chinese New Year period.

Australian cherries are available from mid-to-late October to late February and are produced in six states, with New South Wales (NSW), Victoria and Tasmania the three largest producers. Both Western Australia (WA) and Queensland are relatively small producers primarily focusing on the domestic market. NSW, Queensland, South Australia and Victoria are the first to supply the market, followed by WA and Tasmania in December and January.

Tasmania has expanded plantings in recent years with a strong export focus, enhanced by its relative pest and disease free status. The state has the shortest harvest window at around eight weeks, with the other states having three to four months of harvest. There is a significant disparity in prices received for cherries on the domestic and export markets. Over 50 percent of Tasmanian cherries are exported and exports receive prices at least double those available on the domestic market.

Consumption

Post forecasts cherry consumption in Australia at 13,700 MT in 2018/19, the same as the official estimate for the previous year. Locally produced cherry sales occur mainly during the months of December through to February, while imported cherry sales occur during the months of May through to November. Retail sales include both loose self-select cherries and pre-packed cherries, with the majority of sales volumes and value from loosely sold fruit. Pre-packed cherries earn a premium over loose cherries. In recent years, Australian supermarkets have preferred to retail pre-packaged fruit but loose cherries are also sold widely.

The average consumption of fresh cherries in Australia is around 0.5-0.8 kilograms per person. The seasonal availability of cherries limits the range of consumption. Over 20 percent of cherry purchases are traditionally made in the week before Christmas although the availability of counter-seasonal imports may gradually lower this share as around-the-year consumption increases.

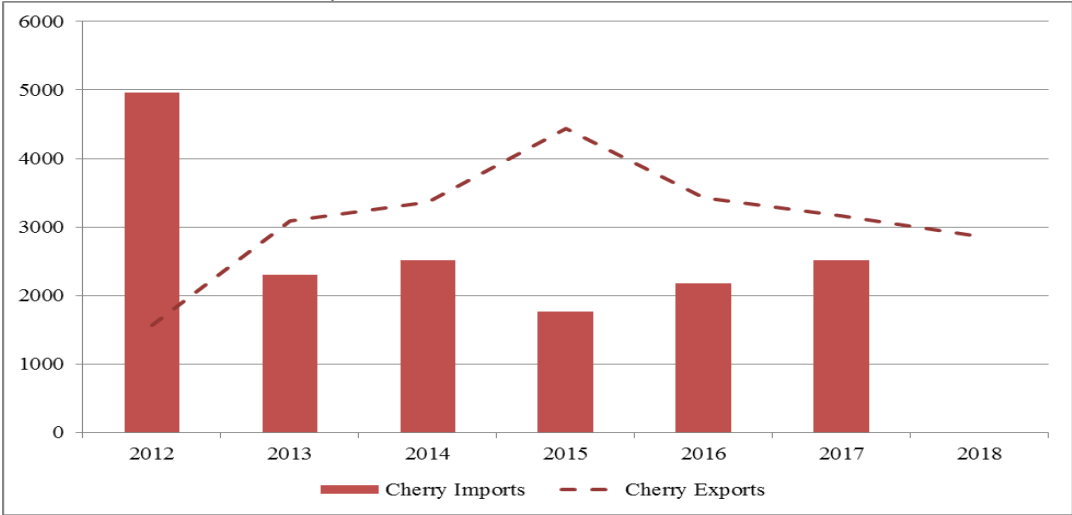
Consumer research suggests that cherries are largely an impulse buy for most consumers. The key drivers for purchasing cherries are quality and price, followed by the firmness of cherries, whether the fruit is blemish-free and if the color is good. Research by the industry has found that 90 percent of cherries are consumed fresh and that supermarkets are the usual retail outlet.

Trade

Post forecasts exports of cherries for the 2018/19 season at 7,000 MT, up from 5,000 MT in the previous year, as mainland cherries now have increased market access into the Chinese market. In late 2017, cherries from Australia's mainland were allowed to be air-freighted to China for the first time, allowing the fruit to be retailed in China within 2-3 days of harvest, compared to the previous period of 20 days through sea shipment. Previously, only Tasmanian cherries could be transported by air from the opening of the market in 2013, due to concerns over fruit flies.

Almost all cherries are exported in the three months from November. Tasmania has a strong export focus, with over 90 per cent of the harvest exported. The state is internationally accepted as a fruit fly free area and cherries do not need to be fumigated for export markets such as Japan, South Korea and Taiwan.

Chart 1: Australian cherry trade, 2012-2018 (MT)

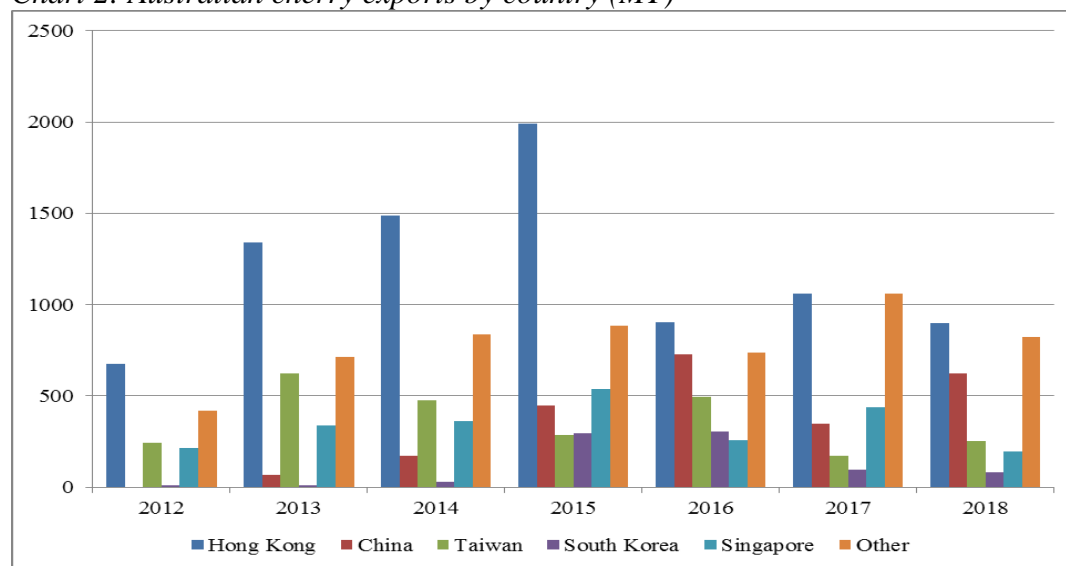


Note: (a) Export data to May 2018. (b) Import season data not yet available.
(c) The United States accounts for almost all cherry imports into Australia.
Source: Global Trade Atlas (2018).

In recent years, Hong Kong and China have accounted for around half of Australian cherry exports, with the latter market increasing its relative significance as more direct exports occur

under new import protocols. 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 from California in particular. They are usually marketed from July to September and do not compete directly with Australian grown cherries, thereby providing consumers with a more continuous supply of fruit through the year.

Chart 2: Australian cherry exports by country (MT)



Note: Exports from January to May for 2018.

Source: Global Trade Atlas (2017).

*Table 2: Production, supply and demand table for cherries
(Production year from October to February)*

Cherries (Sweet and Sour), Fresh	2016/2017		2017/2018		2018/2019	
Market Begin Year	November 2016		November 2017		November 2018	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	3,300	3,300	3,300	3,300	0	3,300
Area Harvested	3,100	3,100	3,100	3,100	0	3,100
Bearing Trees	5,900	5,900	5,900	5,900	0	5,900
Non-Bearing Trees	800	800	800	800	0	800
Total Trees	6,700	6,700	6,700	6,700	0	6,700
Commercial Production	10,000	10,000	16,000	16,000	0	18,000
Non-Commercial Production	0	0	0	0	0	0
Production	10,000	10,000	16,000	16,000	0	18,000
Imports	2,200	2,200	2,700	2,700	0	2,700
Total Supply	12,200	12,200	18,700	18,700	0	20,700
Fresh Domestic Consumption	9,700	9,700	13,700	13,700	0	13,700
Exports	2,500	2,500	5,000	5,000	0	7,000
For Processing	0	0	0	0	0	0
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	12,200	12,200	18,700	18,700	0	20,700
(HA), (1000 TREES), (MT)						

Note: ‘New Post’ data reflect author’s assessments and are not official data.

FRESH PEACHES AND NECTARINES

Production

Post forecasts production of peaches and nectarines to increase slightly in 2018/19 to 94,000 MT, assuming continued favorable seasonal conditions and sufficient access to irrigation water. Exports of peaches and nectarines are forecast at 15,000 MT in 2018/19, due to higher production and increased market access, especially into China. Imports of peaches and nectarines are expected to be stable at 3,400 MT.

Up until around 2000, processing accounted for about half of Australian production of fresh peaches. However, processing volumes fell from over 60,000 MT in 2006/07 to a forecast 8,400 MT in 2018/19. The processing sector has declined due to a change in consumer preferences away from processed fruit as well as due to competition from imported plain brand canned sold as private label products in supermarkets. A number of processing varieties have been gradually been reduced by growers due to the decline in processing volumes.

Seventy five percent of peach and nectarine production occurs in Victoria in the Goulburn Valley and Sunraysia areas. Other producing areas include Young and Orange in NSW. Early season stone fruit comes from sub-tropical Queensland and northern areas of Western Australia and NSW. This is followed by crops from southern NSW, parts of Victoria such as Swan Hill and the Riverland of South Australia.

Yields of peach and nectarine trees vary significantly from season to season. Yield also varies with the variety of stone fruit; the cost and availability of irrigation water, soil quality; climatic conditions, and prevalence of pests and diseases. Irrigation is usually necessary for commercial stone fruit production.

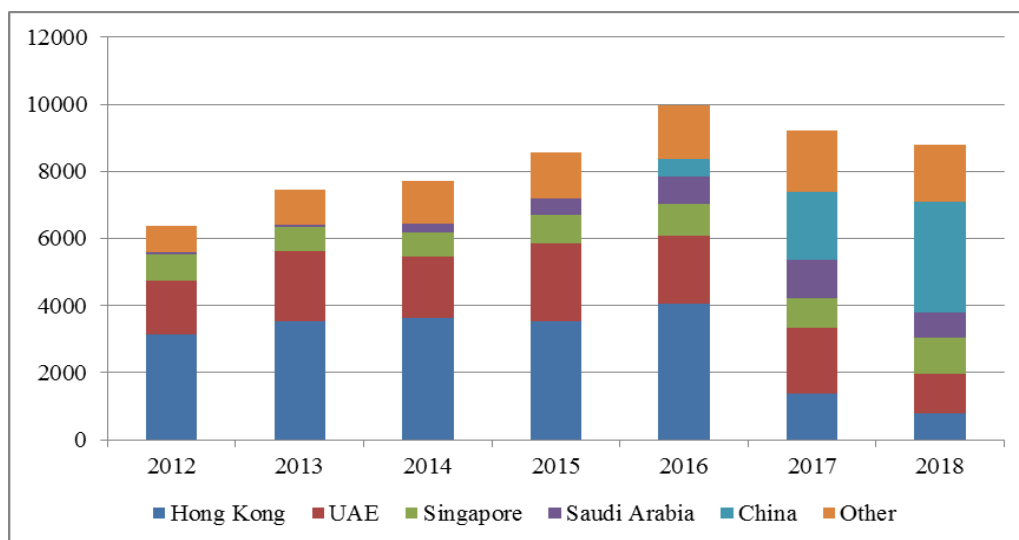
Consumption

Domestic consumption of peaches and nectarines is forecast at 74,000 MT in 2018/19, slightly above the previous year due to expanded production. Private surveys suggest that half of Australian households purchase peaches and nectarines, with an estimated average annual consumption of 3.4 kilograms per capita. There is a trend away from consumption of processed peaches and nectarines and towards fresh fruit. One reason is the cost of local processing compared to imports, while another is the shift in consumer preferences towards fresher fruit.

Trade

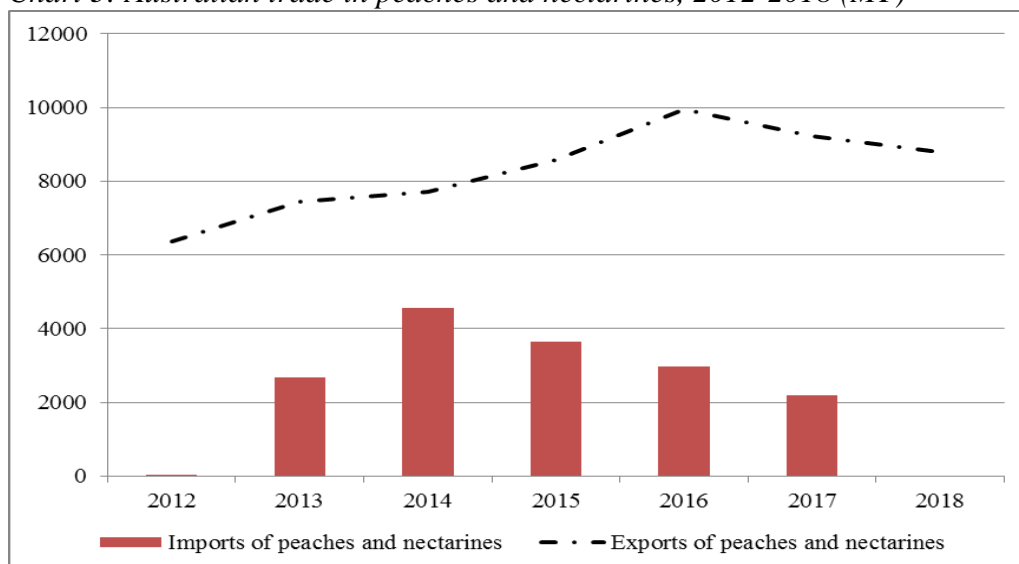
Exports of peaches and nectarines are forecast to reach 15,000 MT in 2018/19, due to higher production and improved market access into China. In January 2018, new Chinese import protocols allowed peach, apricot and plum imports from Australia for the first time, following the earlier entry of nectarines in the previous year. Formal access for plums and peaches was not granted until mid-season, thus, the industry is expected to benefit from a full season of access over 2018/19.

Chart 3: Australian exports of peaches and nectarines by country, 2012-2018 (MT)



Source: Global Trade Atlas.

Chart 3: Australian trade in peaches and nectarines, 2012-2018 (MT)



Note: (a) Export data to May 2018. (b) Import season data not yet available.

(c) The United States accounts for almost all peach and nectarine imports into Australia.

Source: Global Trade Atlas.

There was a significant increase in exports of nectarines to China in 2017/18, the second year of access, due to the better growing season, with early fruit ripening almost two weeks earlier than the previous year. Nectarines were well-priced in China because of better flavor. Most of Australia's peach and nectarine exports are yellow-fleshed varieties, although white-fleshed fruit are exported to certain markets, particularly at the beginning and end of the season. Imports of peaches and nectarines, mainly from the United States, are forecast at 3,400 MT in 2018/19, the same as the previous year.

Table 3: Production, supply and demand tables for peaches and nectarines (Marketing year from November)

Peaches & Nectarines, Fresh	2016/2017		2017/2018		2018/2019	
Market Begin Year	November 2016		November 2017		November 2018	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1,700	1,700	1,700	1,800	0	1,800
Area Harvested	0	0	0	0	0	0
Bearing Trees	3,400	3,400	3,400	3,700	0	3,700
Non-Bearing Trees	250	250	250	250	0	250
Total Trees	3,650	3,650	3,650	3,950	0	3,950
Commercial Production	90,000	90,000	92,000	92,000	0	94,000
Non-Commercial Production	0	0	0	0	0	0
Production	90,000	90,000	92,000	92,000	0	94,000
Imports	3,000	3,000	3,000	3,400	0	3,400
Total Supply	93,000	93,000	95,000	95,400	0	97,400
Fresh Domestic Consumption	74,000	74,000	73,000	73,000	0	74,000
Exports	9,000	9,000	12,000	14,000	0	15,000
For Processing	10,000	10,000	10,000	8,400	0	8,400
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	93,000	93,000	95,000	95,400	0	97,400

(HA), (1000 TREES), (MT)

Note: 'New Post' data reflect author's assessments and are not official data.