

Required Report: Required - Public Distribution

Date: September 26, 2022

Report Number: AS2022-0022

Report Name: Fresh Deciduous Fruit Annual

Country: Australia

Post: Canberra

Report Category: Fresh Deciduous Fruit

Prepared By: Zeljko Biki

Approved By: Levin Flake

Report Highlights:

Australia's table grape production is expected to increase to 210,000 MT in marketing year (MY) 2022/23, from an estimated 180,000 metric tons (MT) in MY 2021/22. This is with the expectation of slightly improved harvest labor availability and better seasonal conditions at harvest. Despite expanded vine plantings in recent years now coming into fruiting, production has been hindered by challenges. For MY 2021/22 in particular, reduced labor availability caused by the COVID-19 pandemic, along with overcast and humid conditions at harvest, not only impacted production but also reduced the volume of export-quality table grapes. Exports are forecast to rise to 130,000 MT in MY 2022/23, mainly due to higher production, from 109,000 MT in MY 2021/22.

Executive Summary

Australia's table grape production is expected to increase to 210,000 MT in marketing year (MY) 2022/23, from an estimated 180,000 metric tons (MT) in MY 2021/22. This is with the expectation of slightly improved harvest labor availability and better seasonal conditions at harvest. Despite expanded vine plantings in recent years now coming into fruiting, production has been hindered by challenges. For MY 2021/22 in particular, reduced labor availability caused by the COVID-19 pandemic, along with overcast and humid conditions, not only impacted production but also reduced the volume of export-quality table grapes. This subsequently also 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 2021/22 (109,000 MT) and are expected to constrain exports in MY 2022/23 (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

Overview

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 1). 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.

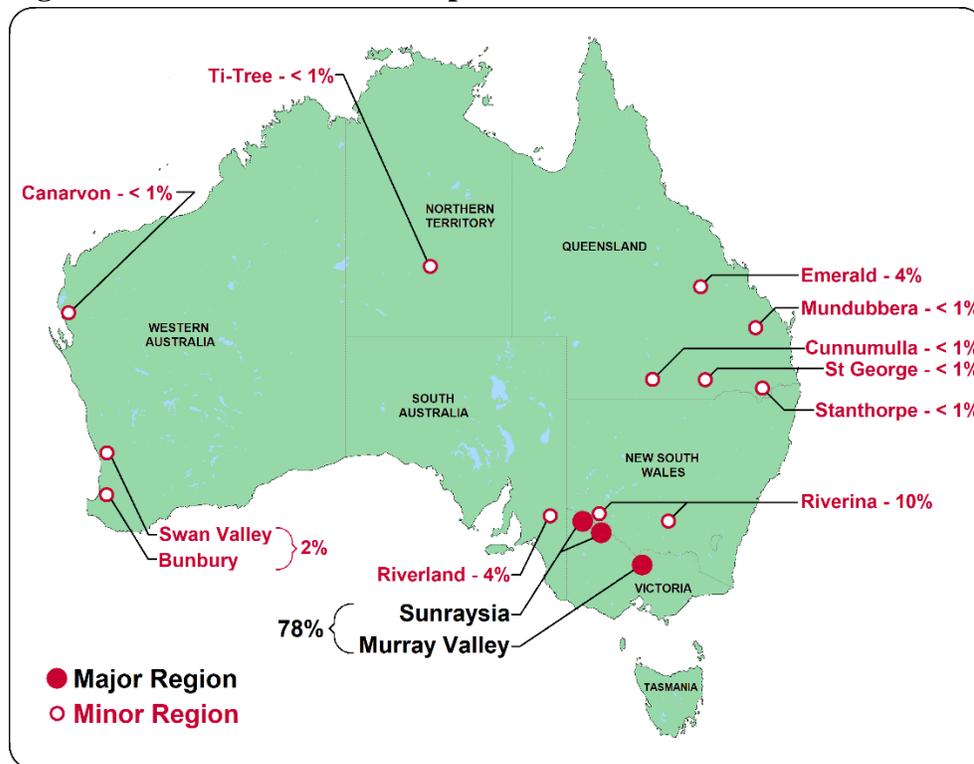
Other important production regions are further north in Queensland, Northern Territory, and Western Australia - which reach warmer temperatures earlier, bringing forward their production season, but also have warmer winters producing lower cold chill period making them less than ideal production regions. 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. There are

also very small amounts of production from far north Queensland in Mareeba and also Broome in Western Australia with harvest commencing in late June/July which competes with imported product. These regions are still immature in the development of their production and product quality is inconsistent at this stage.

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 1 – Australian Table Grape Production Areas



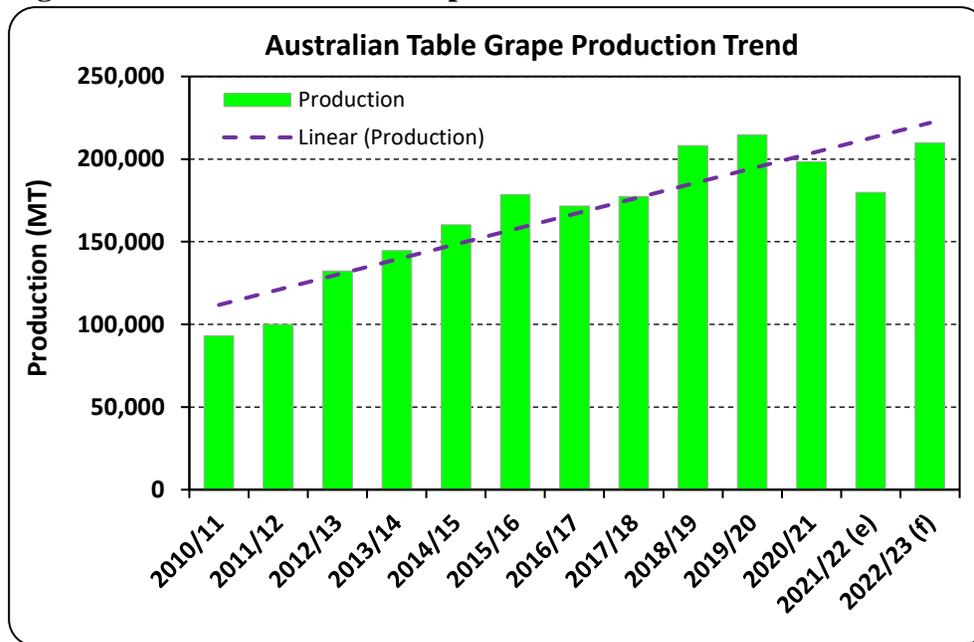
Source: Australian Table Grape Association Inc. / Horticulture Innovation Australia Limited

Over the previous two years, impacted by COVID-19 pandemic disruptions, the rate of new table grape vine plantings has slowed and is expected to remain at a subdued pace in the short term. This is due to production being hampered mainly by a lack of labor for establishing new plantings as well as impacted grower returns in recent years.

In the years leading up to the COVID-19 pandemic the table grape industry estimates that there was around a 20-percent increase in annual plantings. The vines from new plantings over recent years are

now coming into full production and were expected to continue to boost total table grape production. However, production across MY 2020/21 and MY 2021/22 was curtailed (see Figure 2) mainly by COVID-19-related harvest labor shortages. With these new plantings coming into full production, if the labor shortage issue is addressed in 2022 and 2023 a strong production rebound to a record level can be anticipated in MY 2023/24.

Figure 2 – Australian Table Grape Production Trend



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

Production

Australia’s table grape production is forecast to rise to 210,000 metric tons (MT) in MY 2022/23 after a challenging season in MY 2021/22 produced an estimated 180,000 MT. If realized, this would be the second highest production on record but only a partial recovery towards higher potential production which has been hampered by a shortage of labor availability and unfavorable seasonal conditions at harvest, which significantly impacted MY 2020/21 and 2021/22 production.

Although still in the very early stages, MY 2022/23 production has gotten off to a promising start with industry reports of favorable conditions resulting in great bud burst in early September 2022, particularly in the key production regions of Victoria and southern New South Wales. This has been followed up by very good bunch formation, setting the scene for strong potential yields. However, not unlike the previous two seasons the Australian Bureau of Meteorology has declared an La Niña event which brings with it a high likelihood of above-average rainfall. This had a substantial negative impact on grape quality in MY 2021/22.

The industry anticipates that a lack of availability of harvest labor will be a major limitation to the volume of table grapes marketed in MY 2022/23. Although it is expected to be less of an issue than for MY 2021/22, industry estimates that they require around 15,000 temporary workers during harvest. This workforce, prior to the COVID-19 pandemic, had typically been made up of temporary visa holders which are primarily backpackers (working holiday makers) and from the Pacific Australia Labor Mobility (PALM) scheme. The PALM scheme is the primary source of harvest labor workers and the number of workers in Australia currently is estimated to be at the highest level since its inception at around 20,000. However, the opening of international borders since early 2022 is yet to see any significant increase in the entry of working holiday makers (temporary visa holders), some of which work in agriculture, which at the end of 2021 were at around 19,000 compared to 141,000 at the end of 2019 just prior to the COVID-19 pandemic. On balance, the agriculture sector is still well short of pre-pandemic harvest labor numbers in the lead up to the MY 2022/23 harvest commencing in October 2022. There are many reports that with the economy-wide demand for labor in Australia, the agriculture sector has been forced to increase pay rates to minimize the labor drain from agriculture let alone be in a position to attract more labor to meet its demands.

The previous Federal government in October 2021 introduced a new Australian Agriculture Visa as a means to encourage unskilled, semi-skilled and skilled farm workers to Australia from nations beyond the PALM scheme and is designed as a transition towards permanent residency. But this involved bilateral agreements and prior to the recent change of Federal government, Vietnam was the only country to commit. The new government has stated that it will honor this arrangement but disband the scheme to other nations. Instead, its plan is to expand the PALM scheme.

Harvesting table grapes in a timely manner once it reaches the correct stage of maturity (particularly focused on sugar content) is important for the shelf life and eating quality to establish a positive experience for consumers. A lack of labor to achieve optimal timing of harvest impacts fruit quality. When coupled with the risk of above-average rainfall this spring and summer which could include higher instances of overcast and high humidity days, having a strong harvest labor workforce becomes even more critical. A shortage of harvest labor can lead to growers having to prioritize which blocks to pick and leave some areas only partially or even totally unharvested. This was the experience in MY 2021/22 and is anticipated to reoccur, albeit to a lesser degree in MY 2022/23.

FAS/Canberra has revised the production estimate for MY 2021/22 from 210,000 MT down to 180,000 MT. This large downward revised estimate, as mentioned earlier, is primarily due the lack of labor available during harvest coupled with unfavorable weather conditions at harvest.

Growers reported that with the above-average rainfall in MY 2021/22 came higher instances of cloud cover and high humidity during harvest, which impacted negatively on fruit quality. These conditions created a more disrupted harvest process whereby at times harvest all but ceased for a number of days. This demanded an even higher labor workforce to enable a greater volume of fruit to be harvested in the

immediate days after harvest resumed to pick the grapes before the quality deteriorated too much. But with already a shortage of labor, growers were having to make management decisions to prioritize their harvest program towards the highest quality and easiest to pick areas to maximize their returns.

In prioritizing the harvest program, some areas that may have already had their initial picks done 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. Overall, the industry estimates that some 30,000 to 40,000 MT of table grapes were left unharvested on the vines in MY 2021/22. This is approximately in line with the 30,000 MT downward revision of the MY 2021/22 production estimate from the previous forecast for that year.

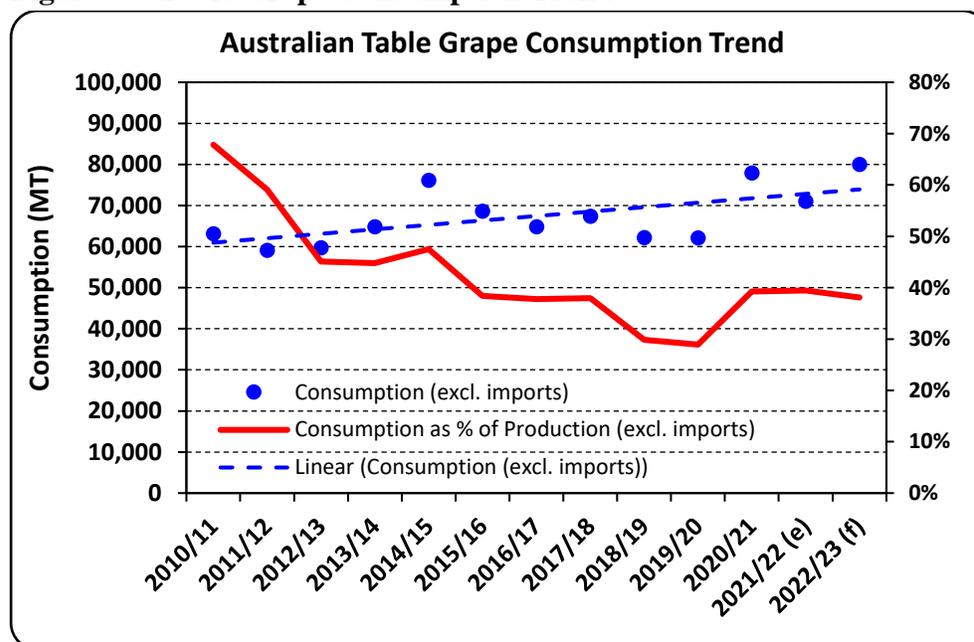
Consumption

FAS/Canberra forecasts table grape consumption to increase slightly in MY 2022/23 to 90,000 MT from a downward revised estimate of 83,000 MT for MY 2021/22. With the forecast of improved production for MY 2022/23 some of this is anticipated to contribute to higher domestic supply and consumption of table grapes.

In recent years particularly before the COVID-19 pandemic, strong Asian demand and prices paid for exports were typically significantly higher than those in domestic retail, which had 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 July 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 and fell to below 30 percent in MY 2019/20 (see Figure 3). Since then, the impacts of COVID-19 on harvest labor availability has resulted in consumption rising to around 40 percent of production. As was mentioned, when choosing new varieties most growers are primarily focused on export opportunities and demand, rather than the domestic market. As the harvest labor shortage issue starts to dissipate, production and quality is expected to improve shifting the industry to an increased focus on exports and consumption is likely to return towards the previous trend of declining importance relative to overall production.

Figure 3 – Table Grape Consumption Trend



Source: FAS/Canberra

Trade

Exports in MY 2022/23 are forecast at 130,000 MT, up eight percent from the heavily downward revised MY 2021/22 estimate of 109,000 MT. These are substantial reductions from the record exports of 152,600 MT in MY 2019/20. The forecast 21,000 MT-increase in exports for MY 2022/23 from MY 2021/22 is largely related to the forecast rise in production but also some improvement in shipping logistics.

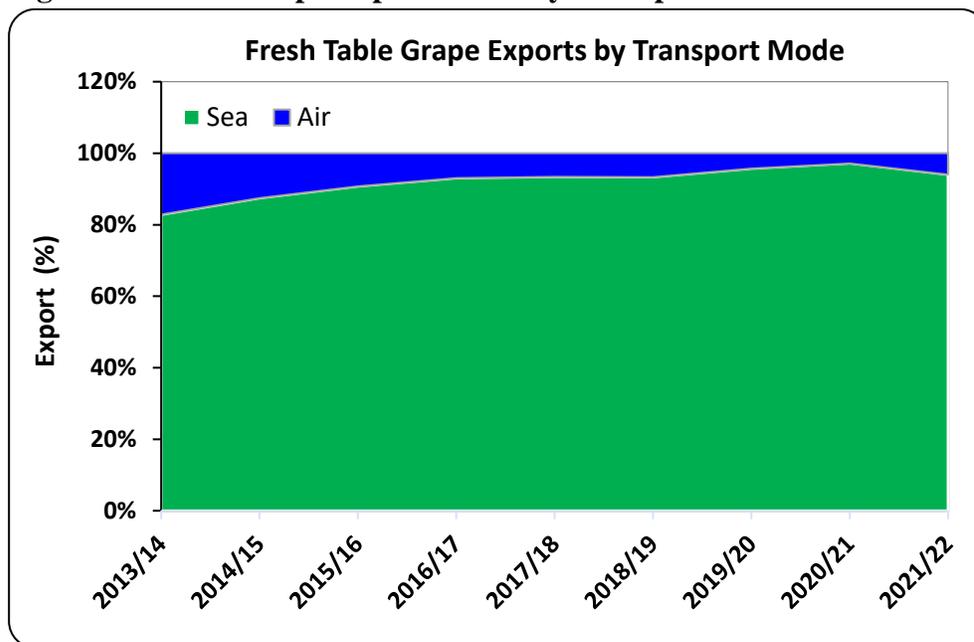
Over the last two years, largely attributed to the impacts of the COVID-19 pandemic, not only has the cost of sea freight and air freight increased by around three-fold from pre-pandemic levels, the availability and reliability of sea freight had diminished. There are many reports of ships arriving late to port and ships making unscheduled diversions to alternate ports before arriving at the final seaport destination. This has led to products, including table grapes, at times taking far longer to reach their destination creating significant difficulties for all involved in the supply chain. For perishable products such as table grapes this has created inconsistency of supply and quality issues.

It is reported that now as the world transitions away from the major impacts of the COVID-19 pandemic, that the availability of shipping has generally improved but is yet to become regular and reliable. It is anticipated that there will continue to be gradual improvements in the lead up to the main table grape export period in MY 2022/23 commencing in January 2023.

Table grapes are a fresh product that stores very well in cold storage, enabling scope for the transport mode 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 as high as 97 percent in recent years (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



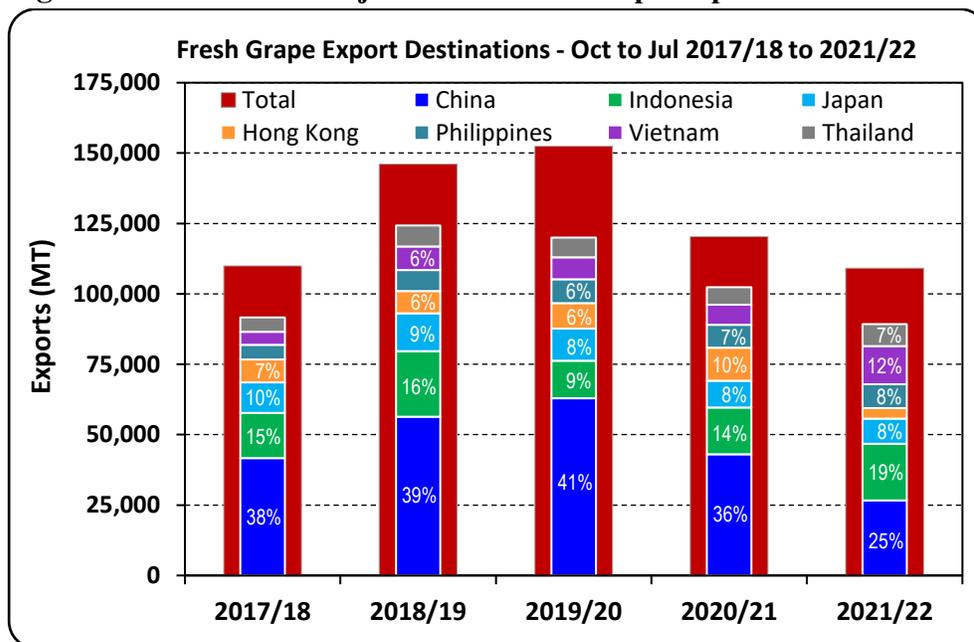
Source: Australia Bureau of Statistics

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 109,000 MT in MY 2021/22. During this growth period, exports to China and Hong Kong increased from 9,900 MT and peaked at 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 and MY 2021/22 is largely due to a reduction of almost 42,000 MT (58 percent) of exports to China and Hong Kong, representing almost all of Australia’s overall reduction of exports. The other major export destinations were largely maintained or even increased in MY 2021/22.

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. However, this advantage has not been borne out in the results over the last two marketing years. Industry sources indicate that prior to the pandemic it was usual practice for Chinese table grape buyers to come to the table grape growing regions in Australia and go onsite to farms and inspect table grapes on the vines. From this the Chinese buyers would commit to purchasing arrangements. This personal inspection and relationship with growers and export traders worked very well and promoted strong growth in table grape exports in the years preceding the COVID-19 pandemic. The closing of Australia’s international border due to the COVID-19 pandemic

had precluded Chinese buyers from coming to Australia in the lead up to and during harvest over the last two seasons. Although there are still COVID-19 related disruptions in China, travel to Australia is now unrestricted (no proof of vaccination status is required) and the industry anticipates an improvement in the volume of trade with China for the coming season.

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



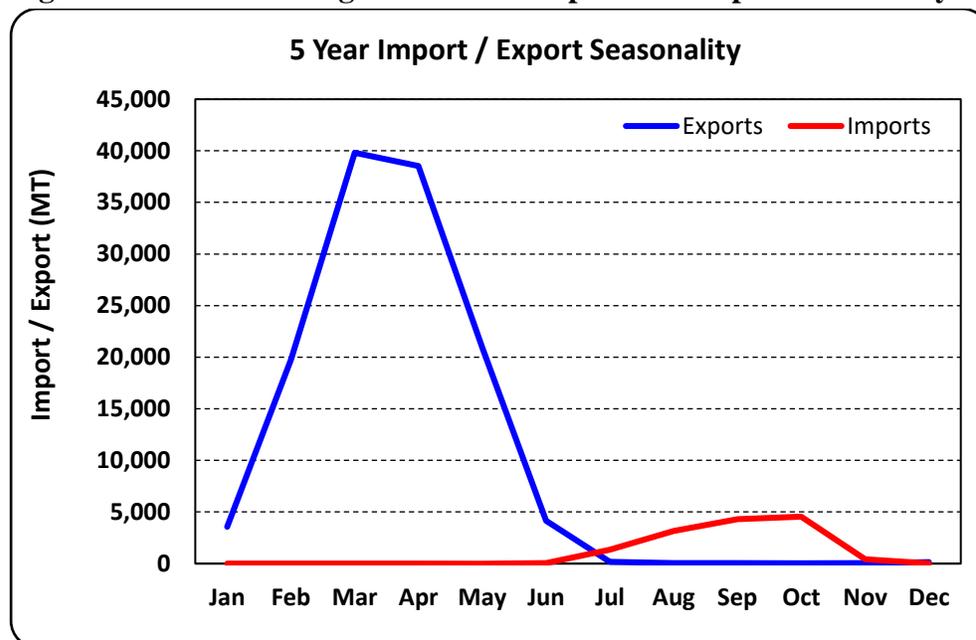
Source: Australia Bureau of Statistics

Australia’s imports are expected to increase in MY 2022/23 to 15,000 MT from a downward revised estimate of 12,000 MT after challenging seasonal conditions in the United States and continued shipping logistics issues for MY 2021/22.

Almost all table grapes in the United States are produced in California. There are reports that a freeze in the vine’s bloom stage along with a combination of rainstorms followed by humid conditions and also heat wave conditions impacted U.S. production. Industry sources also indicate that there have been ongoing sea freight logistics issues for MY 2021/22. Reports are that there is adequate shipping availability but is less regular than in the past and ships have been diverting to unscheduled port stops, creating shipping delays to the final port destination.

Imports are almost entirely counter-seasonal shipments from the United States and occur between July and November (see Figure 6). Some industry sources consider that there may be some improvement in shipping logistics in 2023 which would support imports to return closer to normal levels experienced in the few years prior to the pandemic of around 15,000 MT.

Figure 6 – 5 Year Average Australian Import and Export Seasonality



Source: Australian Statistics Bureau

The Australian table grape industry considers that the import of table grapes from the United States is beneficial to domestic table grape sales, despite domestic demand for table grapes during the winter and spring months being low in Australia. Having United States 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.

Grapes, Fresh Table Market Year Begins	2020/2021		2021/2022		2022/2023	
	Oct 2020		Oct 2021		Oct 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Australia						
Area Planted (HA)	14000	14000	14000	14000	0	14000
Area Harvested (HA)	14000	14000	14000	14000	0	14000
Commercial Production (MT)	198400	198400	210000	180000	0	210000
Non-Comm. Production (MT)	0	0	0	0	0	0
Production (MT)	198400	198400	210000	180000	0	210000
Imports (MT)	13000	13000	15000	12000	0	15000
Total Supply (MT)	211400	211400	225000	192000	0	225000
Fresh Dom. Consumption (MT)	90900	90900	115000	83000	0	90000
Exports (MT)	120500	120500	110000	109000	0	135000
Withdrawal From Market (MT)	0	0	0	0	0	0
Total Distribution (MT)	211400	211400	225000	192000	0	225000
(HA) ,(MT)						

Attachments:

No Attachments