Horticulture

March Monthly Update

Bendigo Bank Agribusiness

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Key Watchpoints – March

- A question mark surrounding Chinese export demand for Australian produce remains as the trade war with the US escalates...
- Cyclone Alfred is expected to see supply chain disruptions across southeast Queensland and northern NSW.
- Macadamia producers are expected to see some yield losses relating to the cyclone weather event.

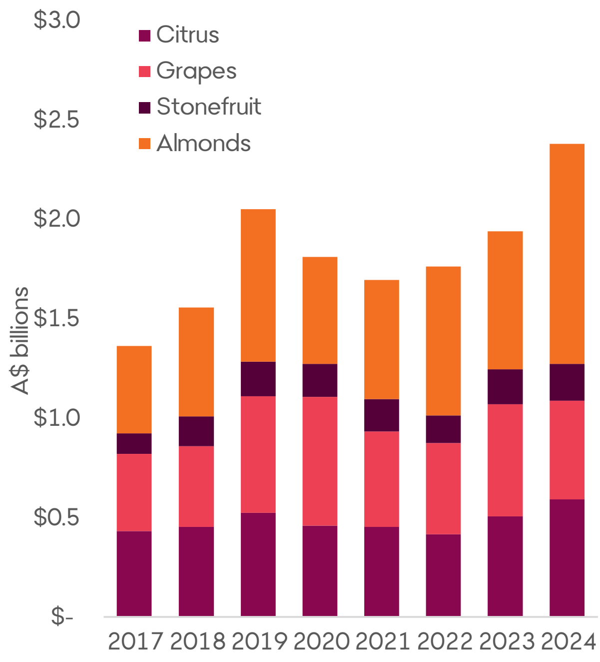
Positive export demand continues to underpin fruit and nut markets

Rising exports to key destinations including China, south-east Asia, India and Hong Kong are continuing to underpin Australian fruit and nut markets in early 2025. Almond, stonefruit, citrus, table grape and avocado sectors are driving this growth. The question now is whether this strong export demand continue amidst an increasingly unpredictable global trading environment.

Growing concern surrounding US-China trade tensions and the flow on effect this will have on the Chinese economy in particular remains a key watchpoint. Despite this, a lift in our production and quality are expected to keep global demand on an upwards trajectory heading into autumn. We touched on export prospects for almonds last month, but we are also seeing table grapes driving strong export growth. Harvest begun in early February, with a year-on-year lift in output boosting industry sentiment. Quality is also exceeding expectations with the high sugar averages expected to see elevated interest from China. Having said this, higher competition from Chile remains a worry with Chilean grape exports forecast to increase by 7.8 per cent by the USDA.

Meanwhile, citrus producers are reporting that the heavy crop has held well with minimal damage from sunburn despite the heatwave reported in early February across key production regions of Sunraysia and the Riverland. A lift in citrus exports and drop in domestic prices are expected as picking kicks off later in the year. While export demand remains broadly favourable, domestic demand has some challenges. We've seen growth in domestic demand lag exports in recent months as cost-of-living pressures drove consumers to tighten their purse strings. Though in good news for the industry, we are expecting consumer purchasing to pick up over coming months. This is driven by a general decline in fruit prices thanks to elevated production which is expected to combine with a rise in consumer sentiment to support fruit and veg consumption.

Calendar year exports across key varieties continue to lift



Source: Global Trade Atlas

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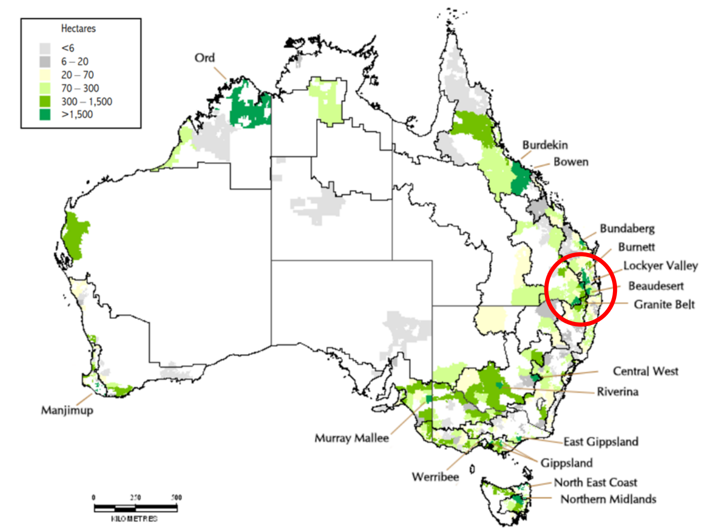
Fruit and veg prices to remain volatile on the back of supply chain disruptions

Domestic fruit prices across the east coast lifted in February and are expected to remain elevated throughout early March as supply chains work to return to normal following the flooding events seen in Far North Queensland. Wholesale banana prices jumped 15.4 per cent on last month following the weather event and now sit 42.5 per cent higher year-on-year. The Queensland tropical fruit index is also now up over 23 per cent year-on-year. The recovery of the supply chain and transport infrastructure was relatively fast which has seen the supply of produce out of the region quickly return to normal. While crop damage was reported, a large proportion of the horticulture industry is located more inland areas and at a higher altitude which aided in shielding producers from the worst of the damage. We expect prices of tropical fruit varieties out of the region to return closer to average with yields still favourable. Prices across key vegetable varieties were broadly unaffected following the flooding with volumes out of the Lockyer Valley region continuing mostly uninterrupted. Capsicum, tomato, beetroot, lettuce and rocket are all priced slightly higher year-on-year.

However, these producers in southeast Queensland and northern New South Wales are now grappling with the impact from Cyclone Alfred. With fruit on trees in the region soon to hit their harvesting dates and carrying extra weight we do expect some produce losses. Harvesting delays and heavy rainfall may also impact quality. Compounding these impacts will be the supply chain disruptions which are anticipated to impact the supply of vegetables out of the key Lockyer Valley production region in particular. Having said this volumes coming the region are already slowing as the peak summer vegetable period has passed. This means seasonal availability of vegetable including eggplant, corn, capsicum, beans and cucumber will be less abundant towards the end of March. The length of disruption to supply chains out of the region remains difficult to predict at the time of writing. These impacts may see a short-term lift across vegetable prices.

Macadamia producers located in the Bundaberg and Northern Rivers regions are also at significant risk of crop losses due to the cyclone. Yield impacts are anticipated to some degree. A big crop was anticipated this season with production forecast to lift by over 11 per cent from the 57,000 tonnes harvested in 2024 thanks to favourable condition during the year and the ongoing maturation of young trees. Demand from China will remain key to the ongoing price recovery in 2025. A lift in prices was observed in 2024 after prices plunged in 2023 following a surge in global plantings and production.

Figure 1 Annual Horticultural Crops



Source: ABS