CANNED FRUITS INDUSTRY COUNCIL OF AUSTRALIA

Canned Fruits Industry Council Australia

11th World Canned Deciduous Fruit Conference

Litochoro, Greece

May 30 – June 2, 2012

Presented by

Simon Mills

Chairman, CFICA

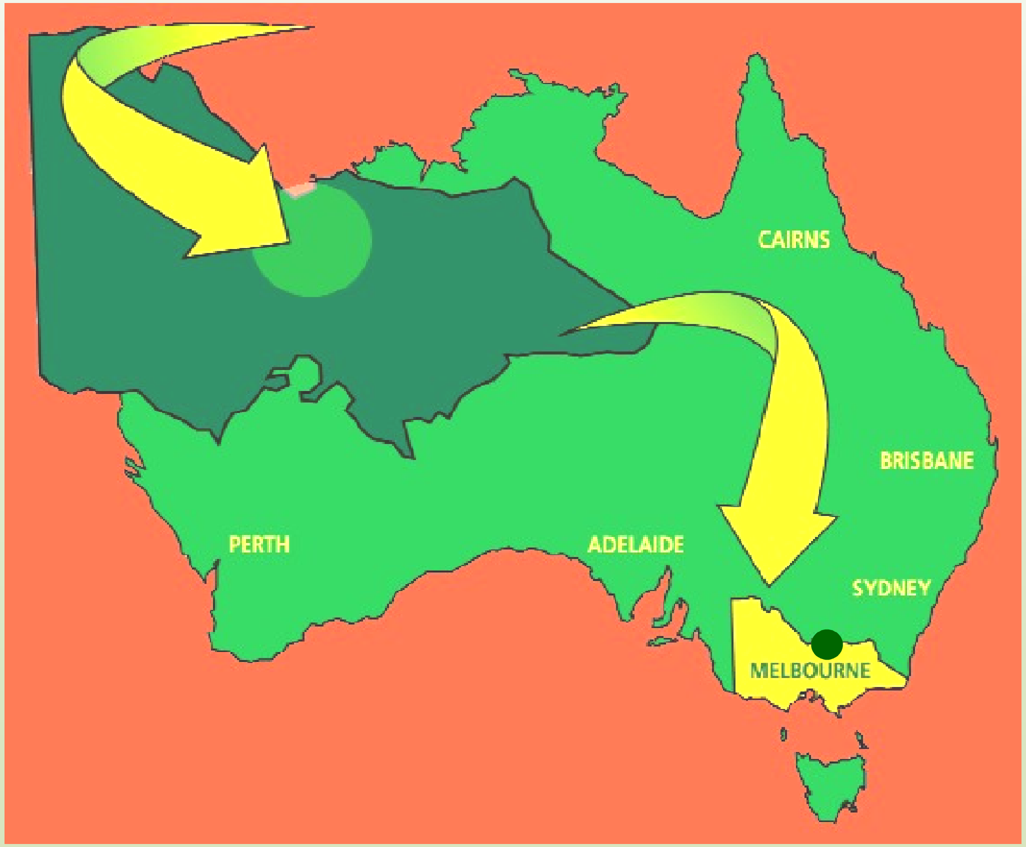
Industry Overview

- Canned Fruits Industry Council of Australia
  - Peak industry organization
  - CFICA represents the interests of both the growers and the canner
  - CFICA membership now comprises only
    - 2 Fruit Grower Associations
    - 1 Fruit Canner

- SPC Ardmona
  - 2002 - SPC and Ardmona merged
    - Only 1 canner remaining, operating 3 factories in Victoria
  - 2005 - SPC Ardmona acquired by Coca Cola Amatil
    - CCA is Australian owned beverage manufacturer
    - Sole bottler of Coca Cola products in Australia, New Zealand, Indonesia
    - The Coca Cola Company (US) is the largest shareholder

Industry Overview

- Growers
  - All deciduous canning fruit grown within 80km of Shepparton factory
  - Approximately 210 growers will supply deciduous fruit to the canner
    - A 30% reduction since the commencement of rationalization in 2006



Industry Overview

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- Growers
  - 210 Growers supply canning fruit to SPC Ardmona
  - Supplier rationalization has resulted in 30% reduction in number of canning fruit growers since 2006
  - Average canning grower now derives 40% of total business farm gate income from canning fruit. (up from 35%)
  - Balance of income is from fresh market varieties
  - Most growers supply at least 2 canning crops;

    Pear + Peach, or Peach + Apricot + Plum, etc.

Industry Overview

- Production Capacity
  - 2007-2011:
    - Canning Apricot hectares reduced by 41%
    - Canning Peach hectares reduced by 15%
    - Canning Pear hectares reduced by 15%,
    - Crops have been further reduced due a series of bad seasons,
      - Frost, Hail, Drought, Heat, Rain
      - Growers are suffering
    - Grower costs have increased substantially
    - Wages now account for 65% of annual production cost in some varieties

Industry Overview

- Current Plantings (Goulburn Valley)

Crop	2007 Ha	2011 Ha	+/-
Apples	2,260	2,236	+ 1%
Apricots (all varieties)	610	494	- 19%
Nectarines	725	618	- 15%
Peach Cling	1,840	1,556	- 15%
Peach Fresh Market	457	571	+ 32%
Pear WBC	1,649	1,397	- 15%
Pear Fresh Market	2,040	1,945	- 5%
Plums	600	554	- 8%
Other	800	1,200	+ 50%
	10,981	10,571	- 3.7%

Production Issues

- Irrigation Water
  - Availability
    - All canning fruit growers are reliant on irrigation water supplied by a government controlled channel system
    - Allocation of irrigation water is regulated
    - 11 year drought has ended, all reservoirs are now full (now we have floods)
- Labour
  - Costs
    - Recent changes to legislation has increased costs of orchard labour
    - Factory labour costs continue to rise:
      - AUD 23.40 basic rate in 2012
      - Plus Leave accruals, Insurance, Superannuation etc
      - Plus shift and overtime allowances
      - Full cost approximately AUD 33.00 per hour
  - Availability
    - Reliance on international backpackers to supplement numbers at harvest

Rain 2011 and 2012

Agronomic Research and Development

- Breeding Programs
  - Apricot
  - Peach
  - Pear
- Labour Reduction
  - Mechanical harvesting
  - Mechanical and chemical thinning
- Integrated Pest Management
  - Use of Pheromones has lead to problems with other pests
  - Diminishing list of chemicals to choose from
- Climate Change
  - Reduced Chill Hours with warmer winters
  - Increased Frost Risk due to drier winters

Peach Breeding Program

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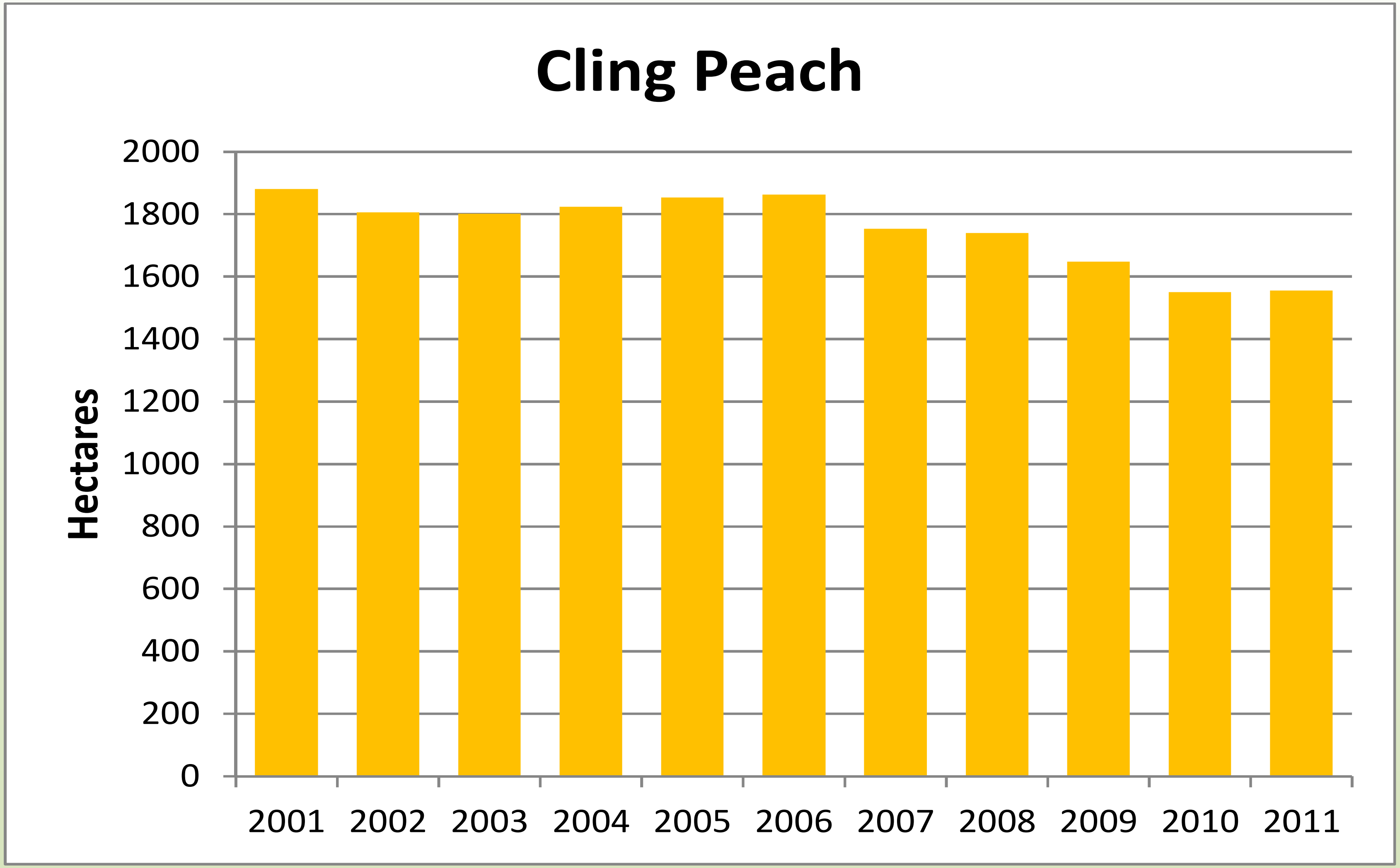
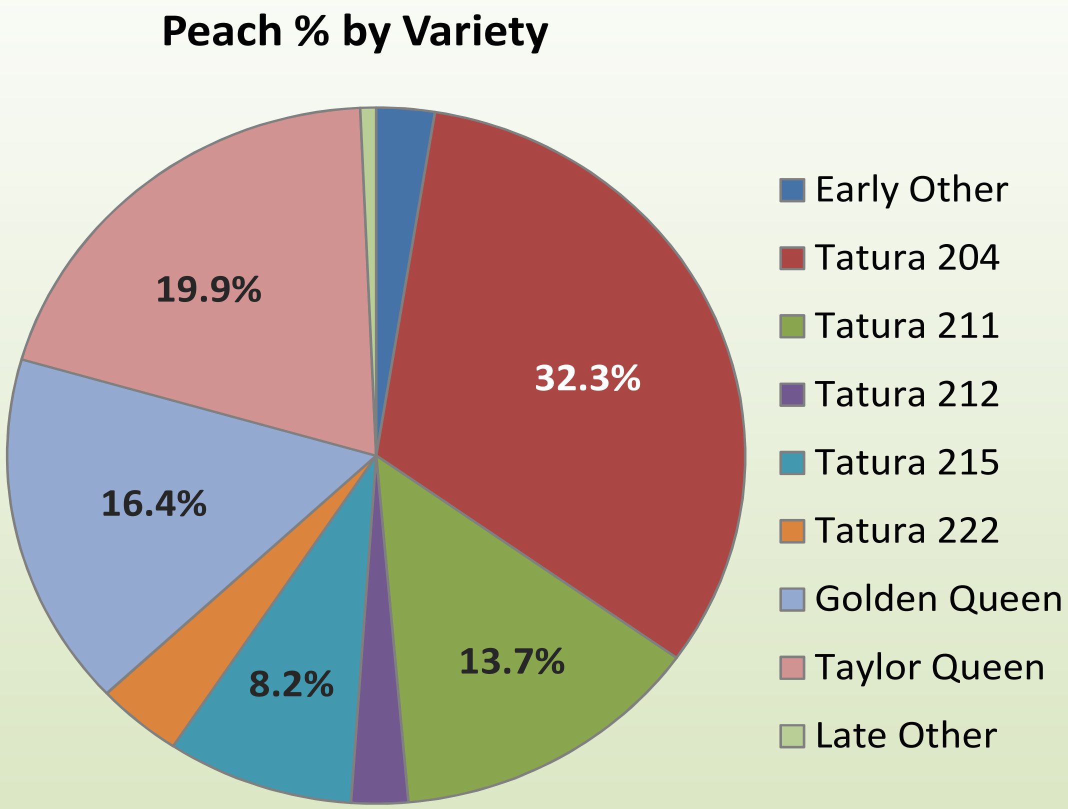
Clingstone Peaches

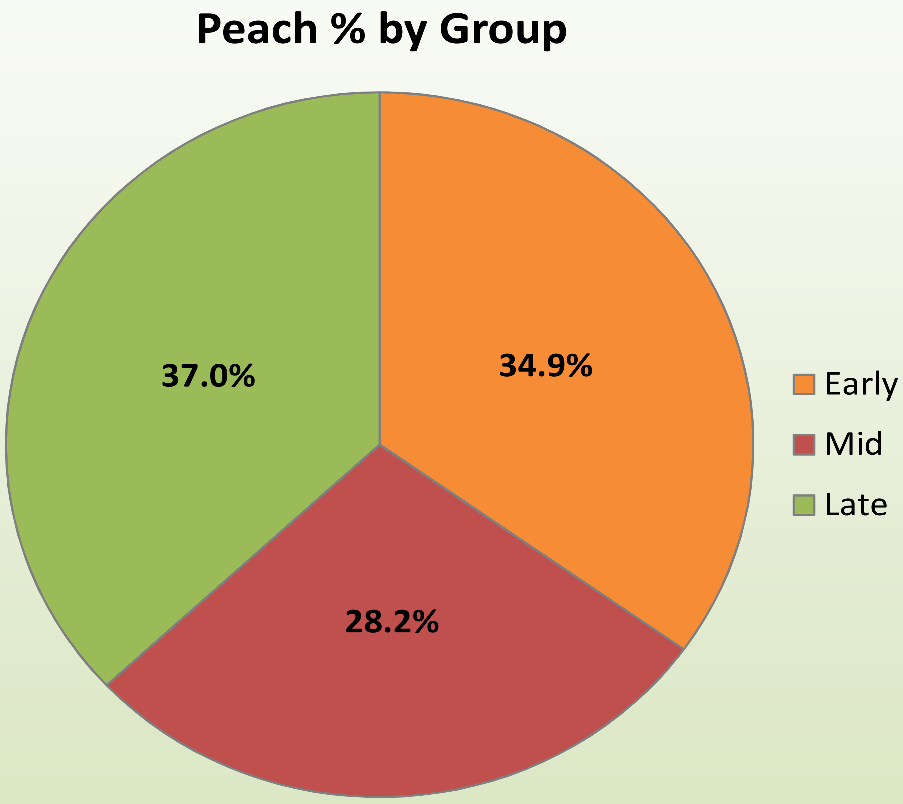
Peach Planting Trends

- Area planted to Cling Peach has reduced by 15% since 2001

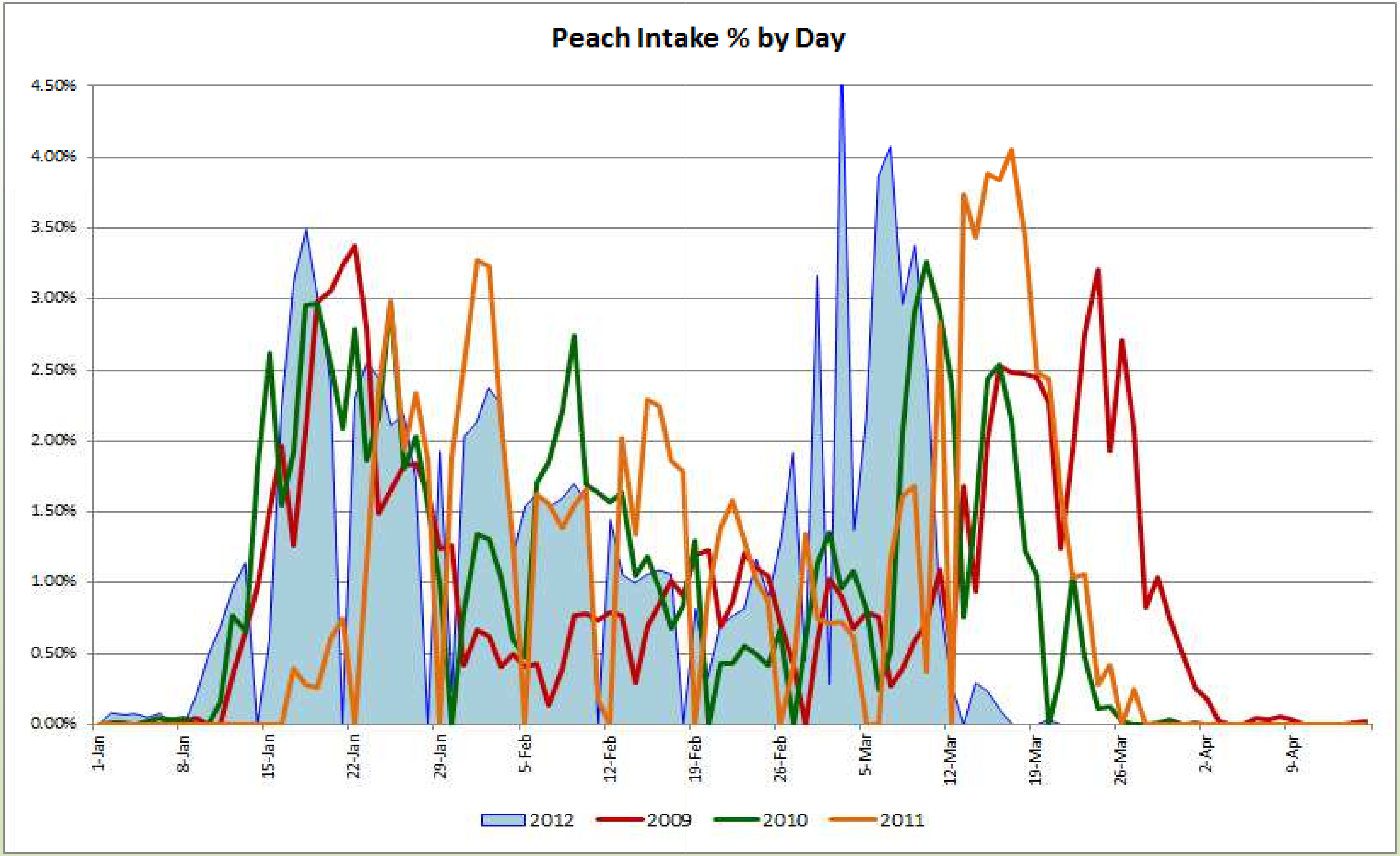


Peach Varieties and Harvest Timing - 2012





Peach Intake Timing



William Bon Chretian (Bartlett) Pear

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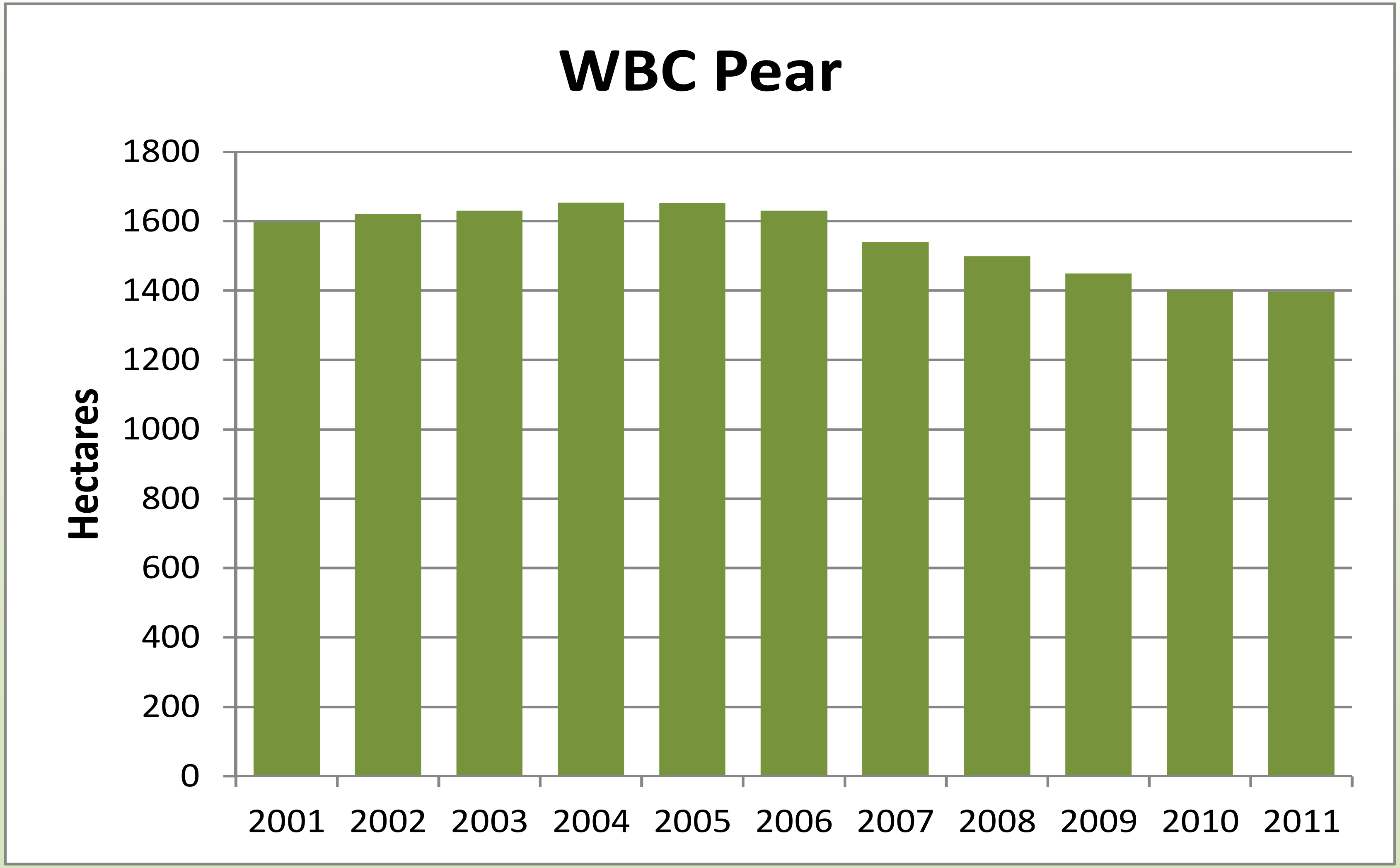
Pear Planting Trends

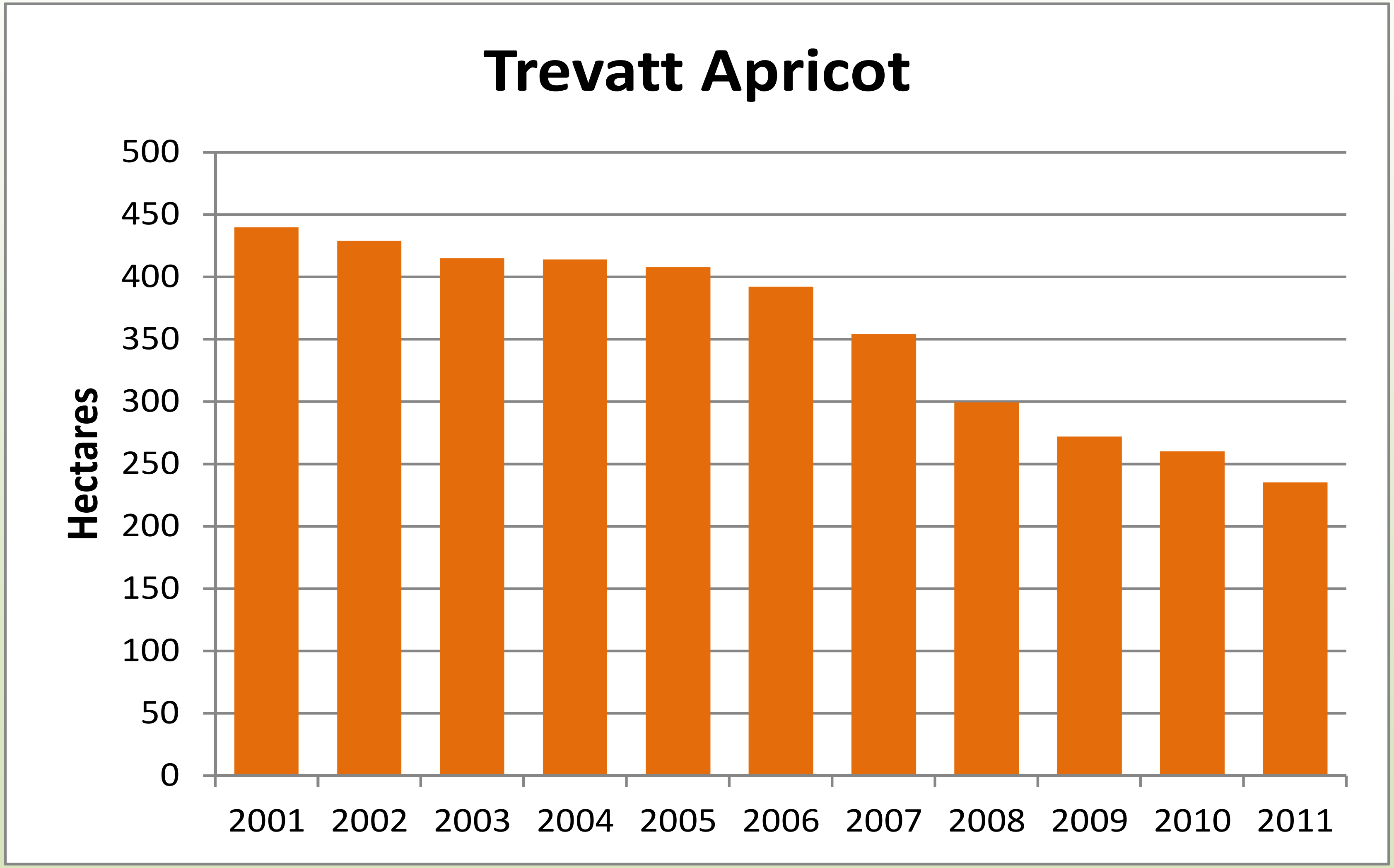
- Area planted to WBC Pear has reduced by 13% since 2001



Trevatt Apricot

Apricot Planting Trends

- Area planted to Trevatt Apricot has reduced by 47% since 2001



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TOTAL AGRICULTURAL PRODUCTION OF DECIDUOUS FRUITS
(All varieties in Metric Tonnes And Hectares)
(Canning Varieties only)

	UNIT	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
PEACHES	MT	49,130	48,080	41,150	36,115	39,520
	HA	1,753	1,739	1,648	1,550	1,556
PEARS	MT	76,997	67,451	42,030	72,800	67,050
	HA	1,540	1,499	1,449	1,400	1,397
APRICOTS	MT	8,460	5,948	6,181	5,672	5,150
	HA	354	299	272	260	235

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AGRICULTURAL PRODUCTION OF DECIDUOUS FRUITS VARIETIES FOR THE CANNING INDUSTRIES (MT)

	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
PEACHES	46,791	44,935	37,403	28,495	31,786
PEARS	39,917	35,518	21,300	25,165	25,963
APRICOTS	6,769	4,957	5,375	5,048	4,169

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AMOUNT OF FRESH FRUIT CANNED

MARKETING YEAR (MT)

	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
PEACHES	40,955	39,259	31,843	27,854	30,685
PEARS	31,621	28,509	19,153	19,692	23,859
APRICOTS	4,001	3,884	3,635	3,871	3,484

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AMOUNT OF FRESH FRUIT USED IN PUREE

MARKETING YEAR (MT)

	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
PEACHES	3,455	3,100	1,750	641	1,021
PEARS	1,150	1,400	1,200	1,450	900
APRICOTS	2,768	1,073	1,740	2,019	1,045

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TOTAL INDUSTRIAL PRODUCTION CAPACITY

BASIC CARTONS (24 Cans / 1 Kg)

		2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
PEACHES	Nº Industries	1	1	1	1	1
	Prod. Cap.	1,600,000	1,600,000	1,600,000	1,000,000	1,000,000
PEARS	Nº Industries	1	1	1	1	1
	Prod. Cap.	1,400,000	1,400,000	1,400,000	900,000	900,000
APRICOTS	Nº Industries	1	1	1	1	1
	Prod. Can.	825,000	825,000	825,000	460,000	460,000
MIXED FRUITS	Nº Industries	1	1	1	1	1
	Prod. Can.	2,600,000	2,600,000	2,600,000	2,000,000	2,000,000

TOTAL CANNED PRODUCTION IN BASIC CARTONS

	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
PEACHES	1,208,465	1,109,760	903,855	777,126	877,951
PEARS	654,238	582,960	361,505	360,363	433,040
APRICOTS	310,558	291,883	219,942	294,970	278,023
MIXED FRUITS	1,794,345	1,624,144	1,034,239	1,106,530	1,387,872

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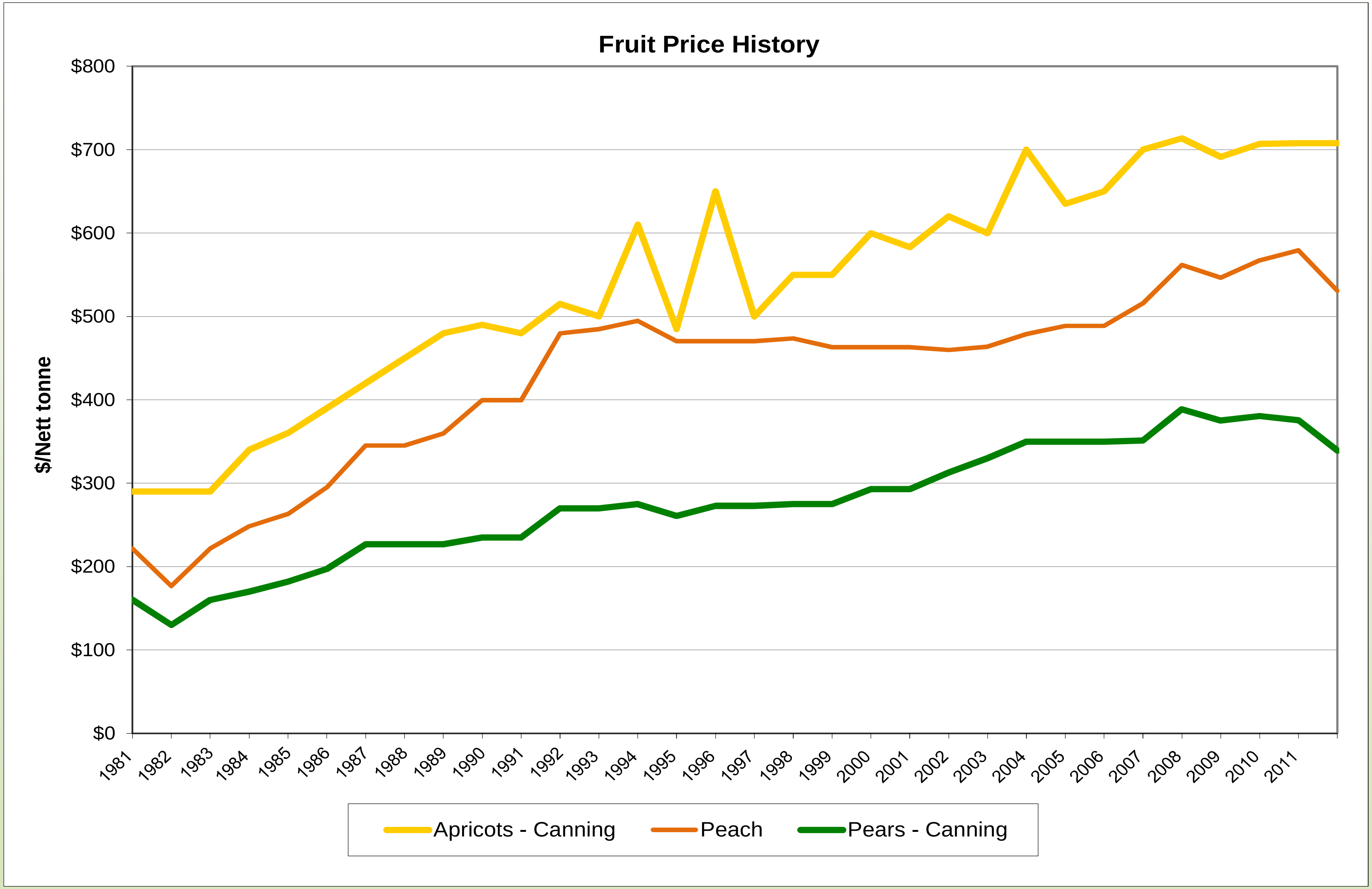
NET PRICE PAID BY THE INDUSTRY PER METRIC TONNE

PRICE IN AUD

		2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
PEACHES	AUD	565	572	588	579	531
	USD	435	484	554	601	534
PEARS	AUD	389	393	404	396	339
	USD	300	333	380	411	341
APRICOTS	AUD	715	721	724	708	708
	USD	551	610	682	735	712

Fruit Price History



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Thank you.