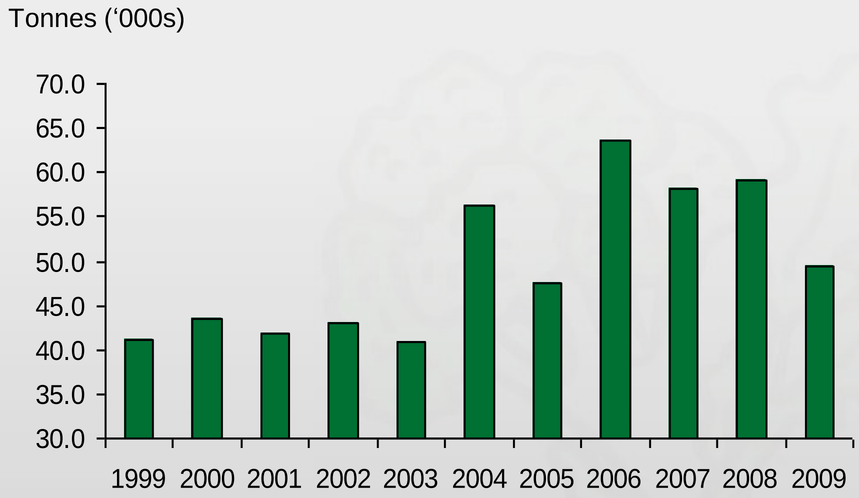
Vegetable Spotlight – Capsicums

Snapshot

- The value of capsicum and chilli production fell by 22% to $124.9 million in 2008-09.
- Capsicum and chillies were Australia's 7th largest vegetable crop in 2008-09, accounting for 4.1% of total vegetable production by value.
- Area planted and production were both below recent peaks in 2004 and 2006. Yields declined in 2009 after reaching record levels in 2008.
- Production of capsicums is concentrated in Queensland, which accounted for 80% of national production in 2009. South Australia, Western Australia and Victoria were the next most important with shares of 5-7%.
- Based on production estimates consumption of capsicums has risen in recent years.
- Prices on both domestic and export markets declined in 2009.
- The total number of growers rose from 566 in 2008 to 602 in 2009 with major variations in the size of operations between the States.
- Exports and imports both rose in 2009-10 following sharp declines in the previous year. The decline in imports in 2008-09 of 56% from the previous year was reflected in a sharp reduction in the annual trade deficit from over $5 million to $1.3 million. The deficit widened to $2.6 million in 2009-10.

Production

National Production

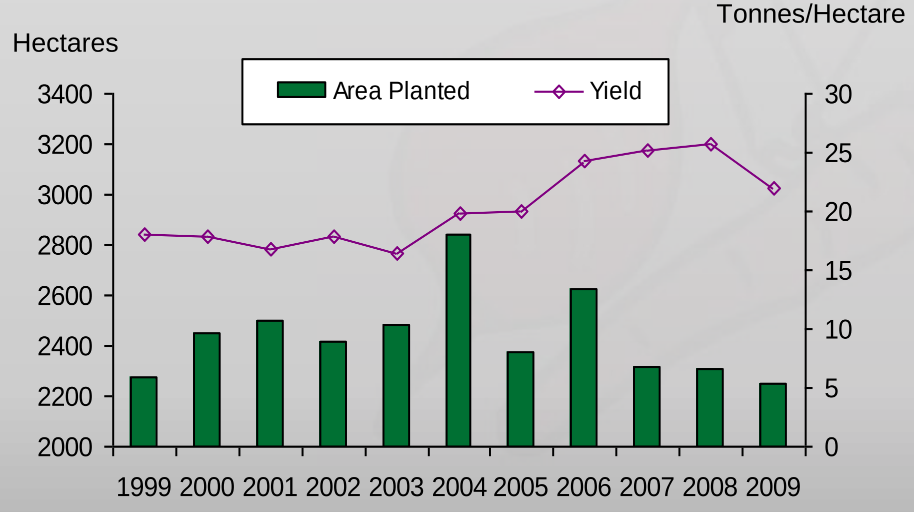


The Australian Bureau of Statistics employed a new methodology in collecting data for the 2005/06 Agricultural Census. As a result, the data generated from the census – such as production volumes, area planted and yields – are not directly comparable to historical statistics. Readers should use this material with caution.

Current Australian Capsicum Production

- Australian production of capsicums and chillies totalled 49,315 tonnes in 2009, down 16.7% on the previous year.
- The area planted was 2,250 hectares.
- The average yield per hectare over the year was 21.9 tonnes.

Area Planted v Yield

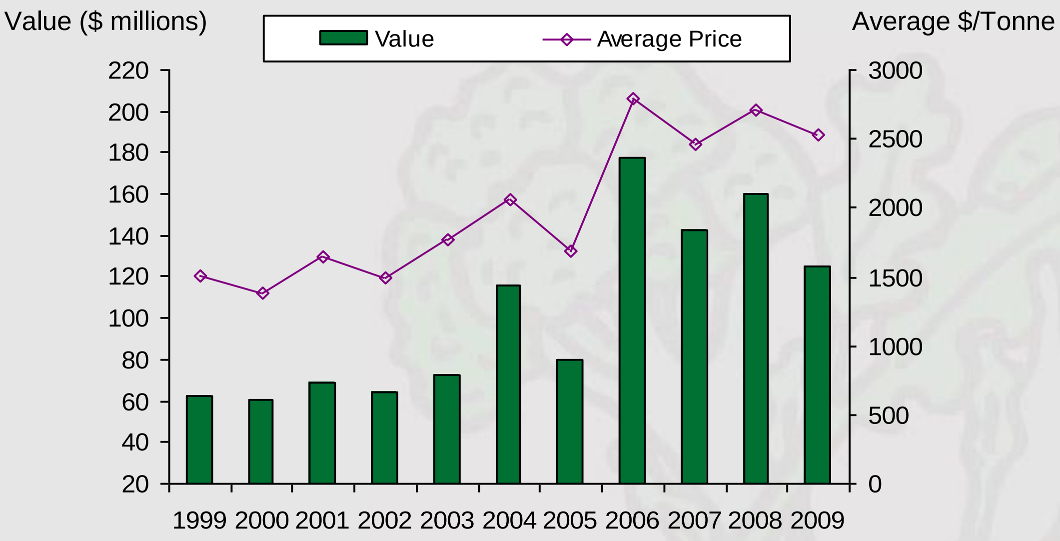


Long Term Production Trends

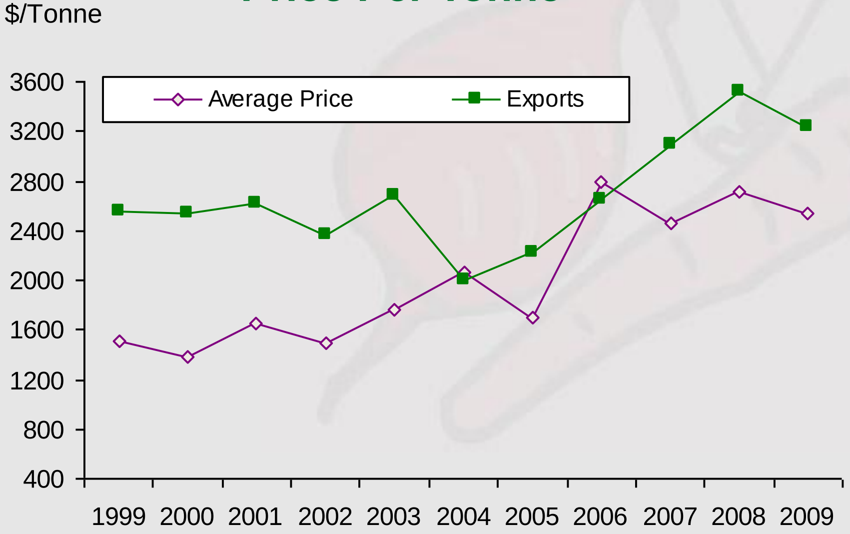
- National production has fallen since reaching almost 64,000 tonnes in 2006, the highest in the reporting period. Production fell in 2007 and again in 2009 to its lowest since 2005.
- Area planted has fallen since 2004. After a sharp decline in 2005, there was a partial recovery in 2006. Since then area planted has declined each year falling to its lowest in the reporting period in 2009.
- Yields rose steadily from 16.4 tonnes per hectare in 203 to 25.7 tonnes per hectare in 2008, but declined by 15% in 2009.

Value and Pricing

Value of Production



Price Per Tonne



Domestic Value of Production

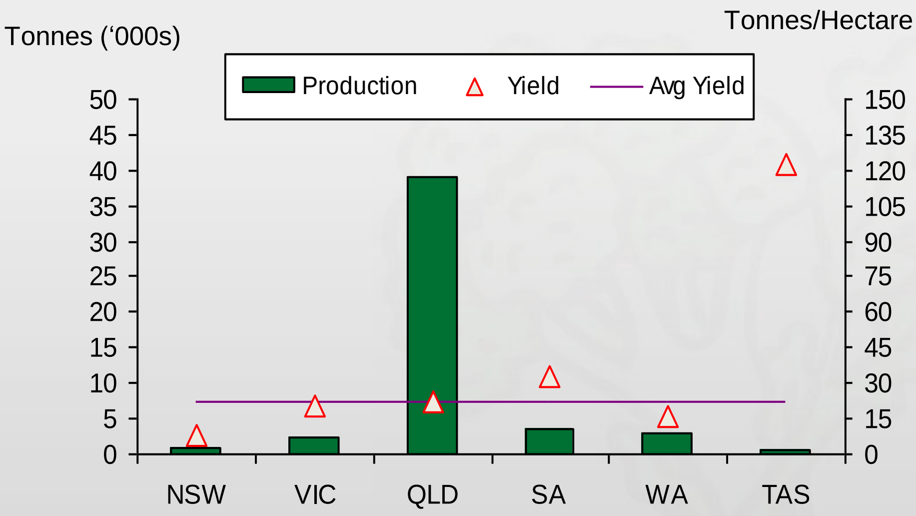
- The gross value of capsicums and chillies grown in Australia in 2009 was $124.9 million.
- This is 22% less than in the previous 12 months, reflecting lower production and prices, but still well above values over the period1999-2005.
- The national gross unit value (average price per tonne), which rose by 10.3% in 2008, fell by 6.4% in 2009 to $2533.

Capsicum Pricing

- Despite the decline to $2533 in 2009, average prices based on production estimates were 8% higher than the average price of $2341 in the previous five years.
- Average export prices in Australian dollars were $3211 per tonne in 2009, down 8% from the previous year but 20% above the 2004-2008 average.
- Export prices are usually clearly above average prices with exceptions in 2004 and 2006 when they were slightly below the average price.

State production and national consumption

Production v Yield



Vegetable	Average for 3 years ending 2001(kg)	Average for 3 years ending 2009(kg)
Capsicums	2.2	2.9
Carrots	11.9	9.8
Potatoes	65.9	61.6
Tomatoes	25.2	20.9

State Production of Capsicums

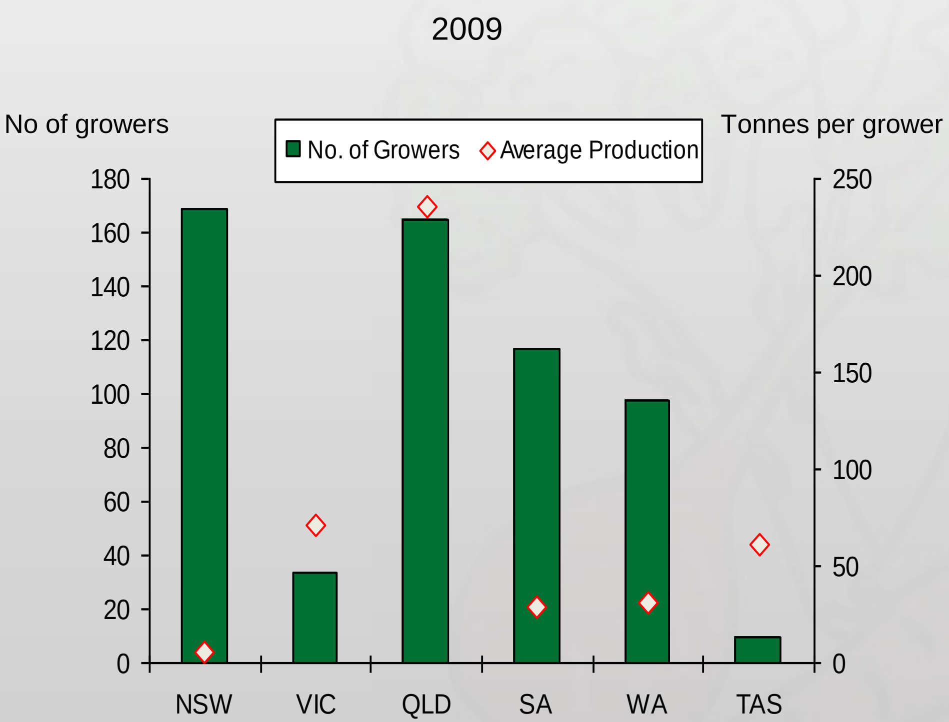
- Queensland produced almost 80% of Australia's capsicums and chillies in 2009. South Australia accounted for 7% in 2009, with Western Australia and Victoria producing 6% and 5% respectively.
- Production fell in all states except Tasmania in 2009. The biggest declines were in Victoria and South Australia with falls of 63% and 49% respectively.
- Yields in the four main producing states in 2009 ranged from 16.2 tonnes per hectare in Western Australia to 22.6 tonnes per hectare in South Australia. The results for New South Wales and Tasmania are particularly vulnerable to statistical error because of the low level of production.

Capsicum Consumption

- Data on consumption is fragmented and anecdotal.
- Based on official production data and population statistics it is estimated that annual consumption has risen in recent years to around 2.9 kg per capita.
- Comparisons with estimates of per capita consumption of some other major vegetables are presented in the table to the left.

Grower numbers and production

Capsicum Growers by State



- The total number of capsicum growers in Australia rose from 566 in 2008 to 602 in 2009.
- There are a large number of small growers many of who move in and out of production. In New South Wales which produces only around 2% of national production grower numbers rose by 50% in 2009. There were declines of 21.5% and 17.1% respectively in South Australia and Victoria.
- New South Wales and Queensland each account for 27-28% of the total number of growers, despite the major difference in production levels between the two states. South Australia accounts for 19.4% of the total and Western Australia for 16.3%.
- Average production per grower of 236 tonnes per grower in Queensland in 2009 is almost three times the national average of 82 tonnes. All the other states were below the national average in 2009, ranging from a low of 5.4 tonnes per grower in New South Wales to 71 tonnes per grower in Victoria.

Market

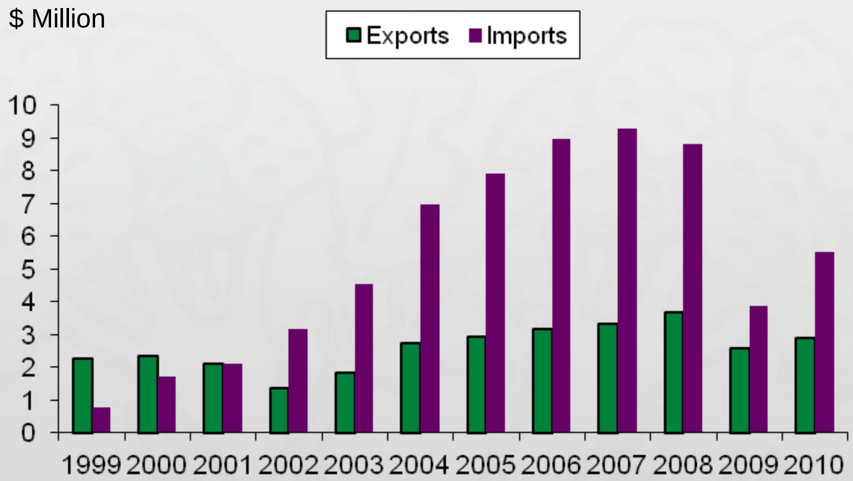
Market Segments

	2007/08			2008/09		
	Area sown (ha)	Productio n (tonnes)	No. of businesses	Area sown (ha)	Production (tonnes)	No. of businesses
Capsicums Outdoors	1,927	47,035	341	1,907	40,304	326
Capsicums Undercover	151	9,526	153	136	6,820	152
Total	2,078	56,561	481	2,043	47,124	470
Chillies	228	2,662	145	207	2,191	181
Capsicums & Chillies	2,306	59,223	566	2,250	49,315	603
Capsicums Outdoors (% of total capsicums)	92.7	83.2	N/A	93.3	85.5	N/A
Capsicums Undercover (% of total capsicums)	7.3	16.8	N/A	6.7	14.5	N/A
Chillies (% of capsicums & chillies)	9.9	4.5	N/A	9.2	4.4	N/A

- Outdoors production of capsicums accounts for about 93% of total production, with the area planted rising slightly from 83.2% in 2008 to 85.5% in 2009. The number of businesses in the outdoors sector declined from 341 in 2008 to 326 in 2009, but was steady around 152 in the undercover segment.
- The area planted to chillies declined by 9% between 2008 and 2009 and production fell by 18%. The number of businesses growing chillies rose by 25% over the same period.

Exports and Imports

Value of Exports & Imports of Capsicums



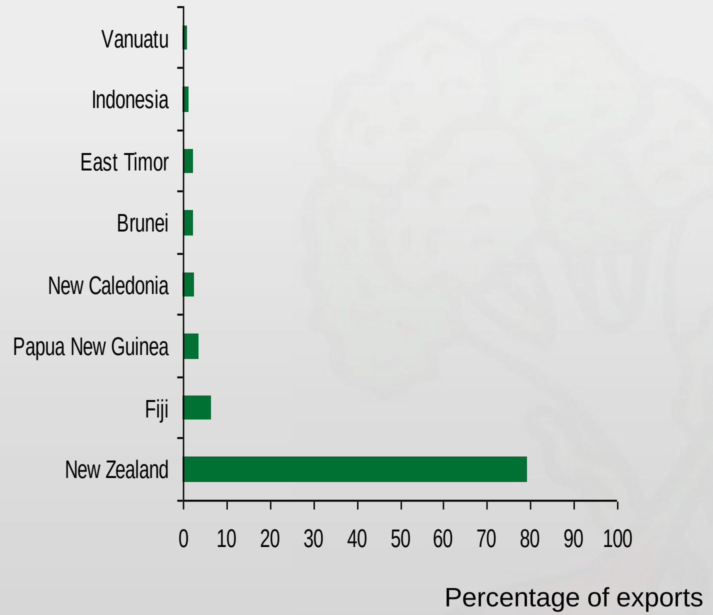
• Australia's international trade in capsicums is exclusively fresh.

• Imports of capsicums have consistently exceeded exports since 2001 so Australia has had a negative balance of trade during this period. The annual trade deficit, which exceeded $5 million from 2005-06 to 2007-08, narrowed sharply to $1.3 million in 2008-09. The deficit widened to $2.6 million in 2009-10.

• Exports were on an upward trend from $1.4 million in 2001-02 to a record $3.7 million in 2007-08. Exports fell sharply by 30% to $2.6 million in 2008-09, but there was a partial recovery with a rise of 12% to $2.9 million in 2009-10.

• The rise in imports during most of the past decade was even faster than the increase in exports. Imports rose from less than $1 million in 1998-99 to a record $9.3 million in 2006-07. Imports then fell by 4.8% in 2007-08 and plummeted by 56% in 2008-09 to $3.8 million, their lowest since 2001-02. There was a strong 43% rise in imports to $5.5 million in 2009-10, but they remain well below the levels of the mid-2000s.

Export and Import markets



Destination of Australian Exports

•Exports of capsicums are mainly to New Zealand. Exports to New Zealand declined by 50% in 2008-09 causing its share to fall to 62% from a high of 86% in 2007-08. Exports to New Zealand recovered partially in 2009-10, rising by 44% and raising its share of the total to 79.4%.

• Other export destinations are mainly countries in the Pacific, which accounted for six of the top ten destinations in 2009-10, with a combined share of 16%.

• Fiji has been the second most important destination in recent years. A strong increase in exports to Fiji in 2008-09 (and the decline in exports to New Zealand) raised its share to 17%, but exports to Fiji fell in 2009-10 and its share declined to 6.6%.

Market access

•Capsicums can enter Australia tariff free.

•Import tariffs that are in place on capsicums in near neighbours are being phased out under the ASEAN Australia New Zealand Free Trade Agreement.

•Capsicum trade is constrained by bio-security issues.

Origin of Australian Imports

• Imports of capsicums are almost exclusively from New Zealand, which accounted for 99.8% of the total in 2009-10.

• South Korea has gained bio security clearance for the export of capsicums produced undercover to Australia.

For further details on these statistics please contact AUSVEG on (03) 9882 0277.