



Australian Government
Department of Agriculture
and Water Resources
ABARES



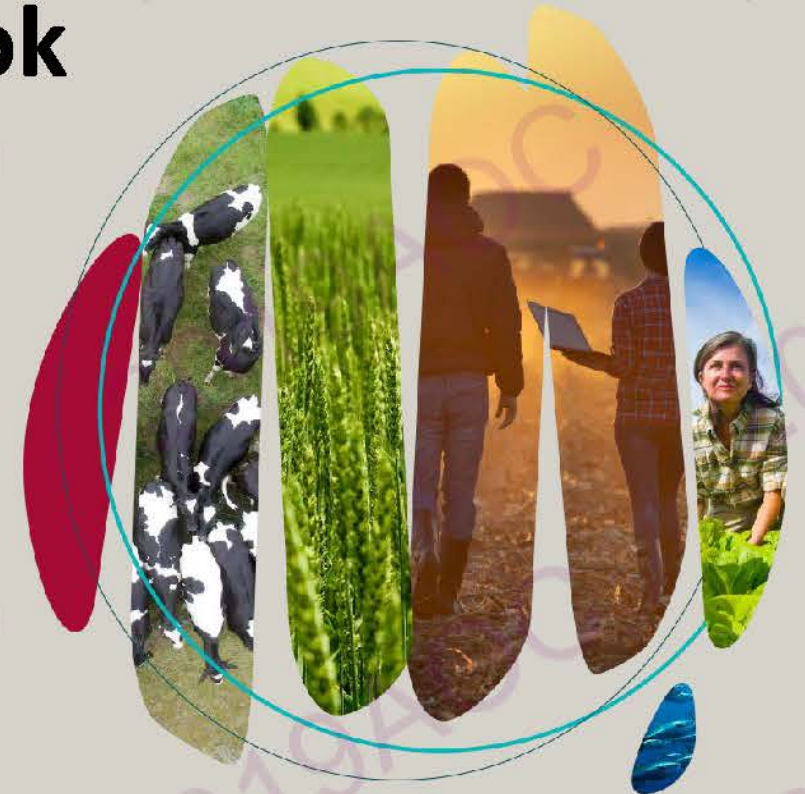
Australian agricultural outlook

Outlook to 2023-24

Peter Gooday – Chief Commodity Analyst

**Australian Bureau of Agricultural
and Resource Economics and Sciences**

X-X April 2019



Research by the
Australian Bureau of Agricultural and Resource Economics and Sciences

- Profile of Australian agriculture
- Commodity outlook
- Future challenges

Australian Bureau of Agricultural & Resource Economics and Sciences (ABARES)



Statistics



Forecasting

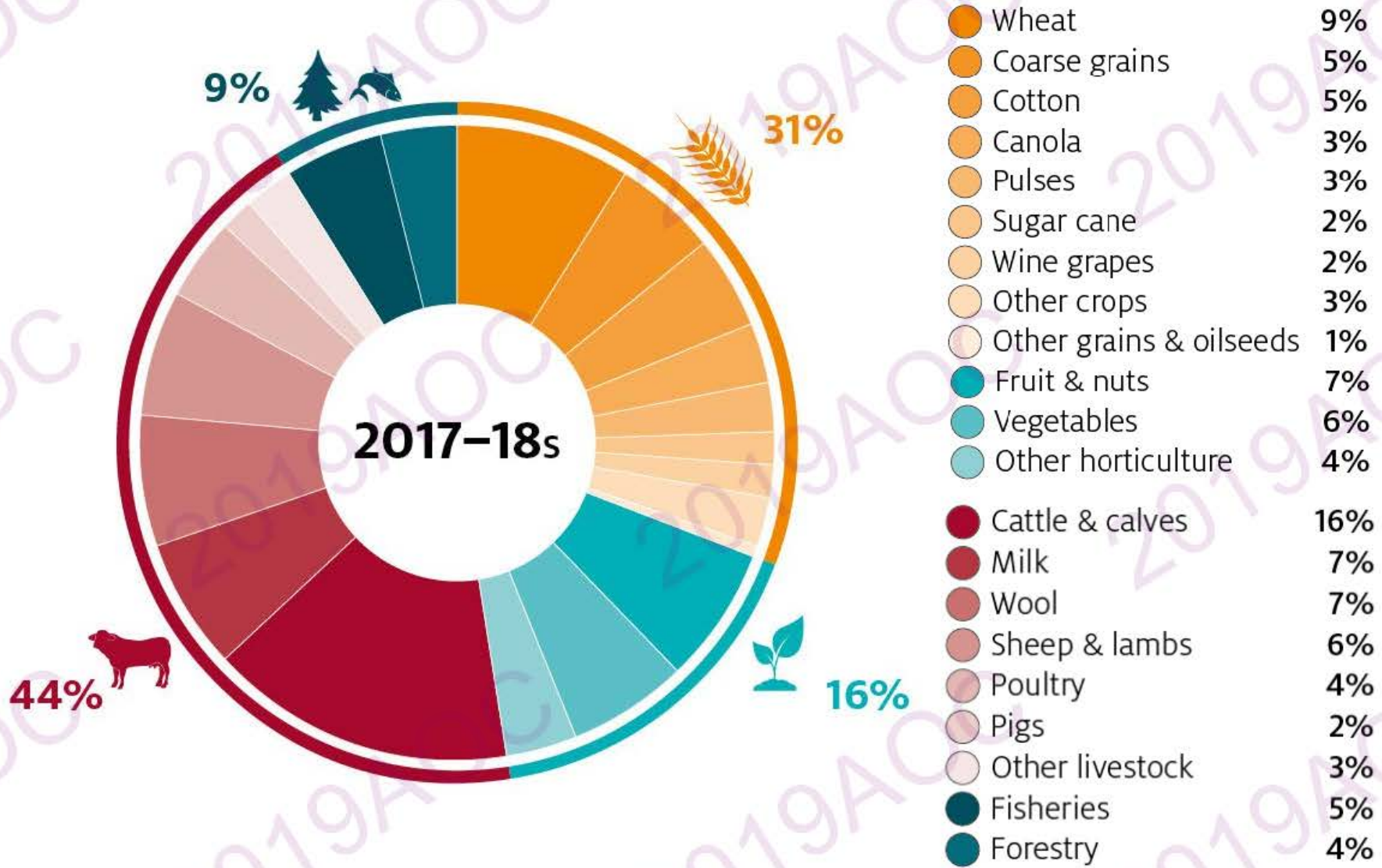


Analysis



agriculture.gov.au/abares/research-topics

What we produce

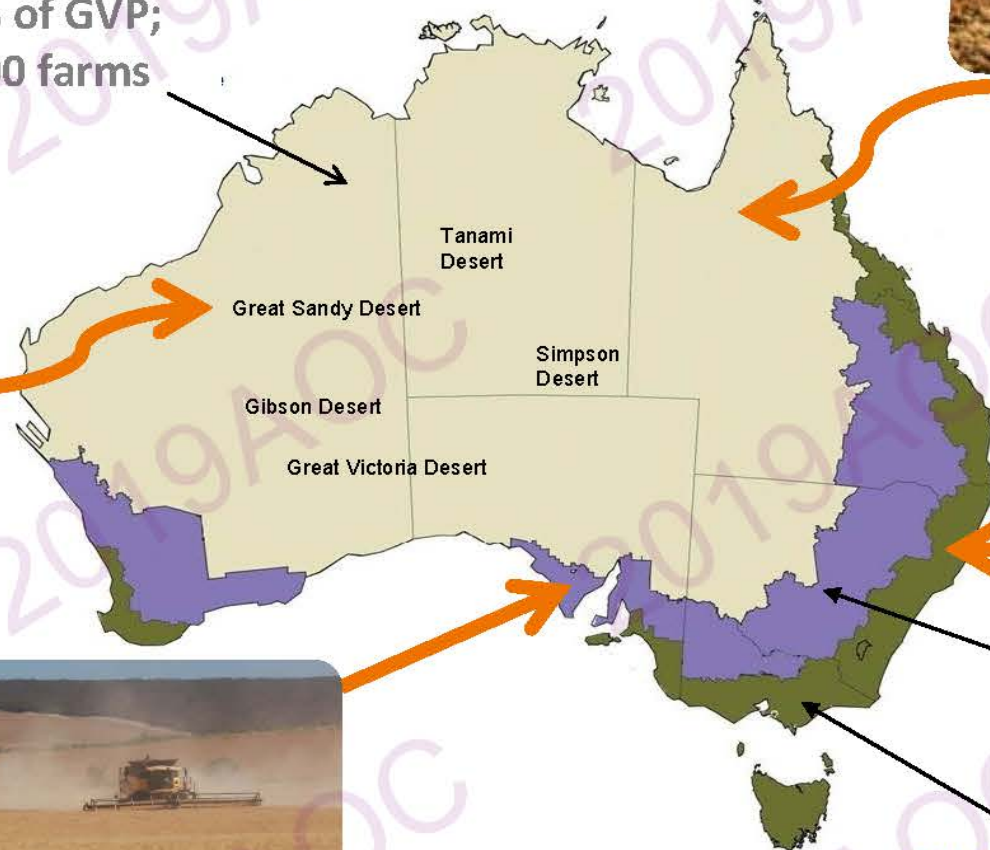


Where we produce it

Pastoral zone
12% of GDP;
5000 farms



Cattle grazing, Queensland



Great Sandy Desert, WA



Wheat-sheep zone
51% of GDP; 54 000 farms

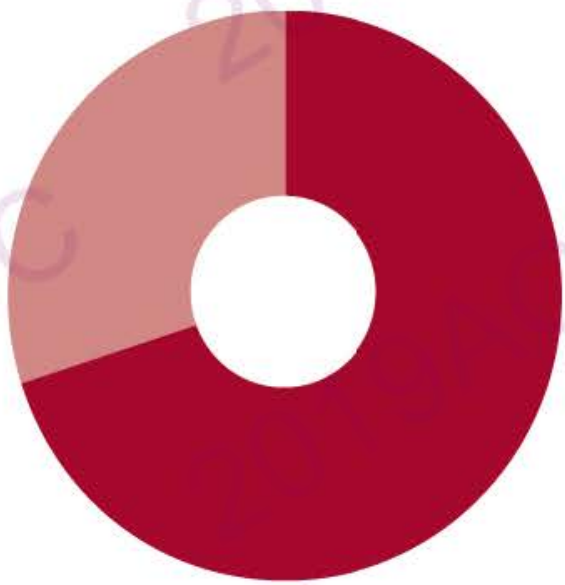


Wheat harvest SA

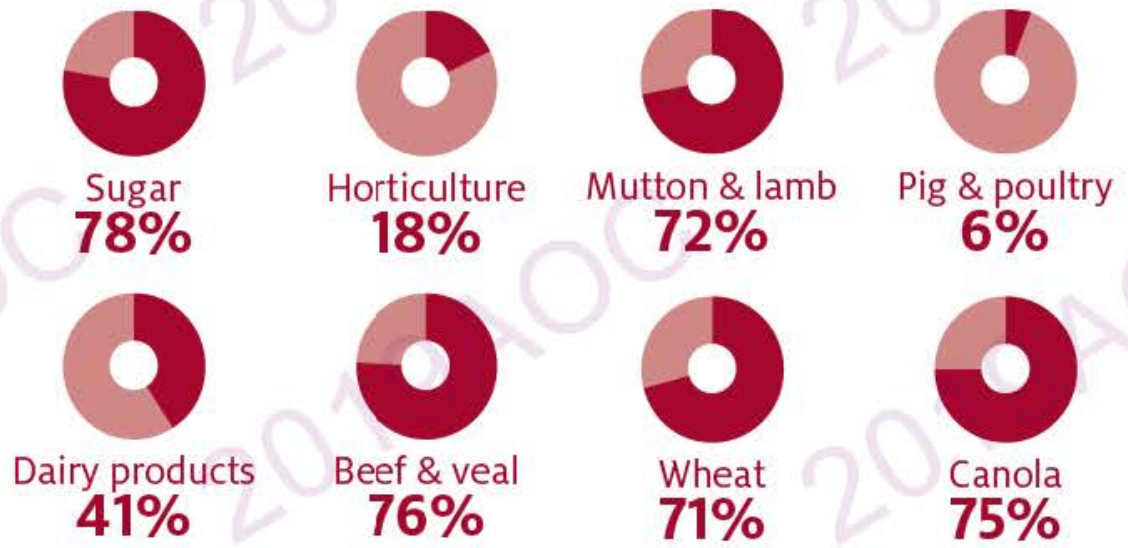
High rainfall zone 37%
of agricultural Gross Value of Production
(GVP); 57 000 farms

Australia exports most of what we produce

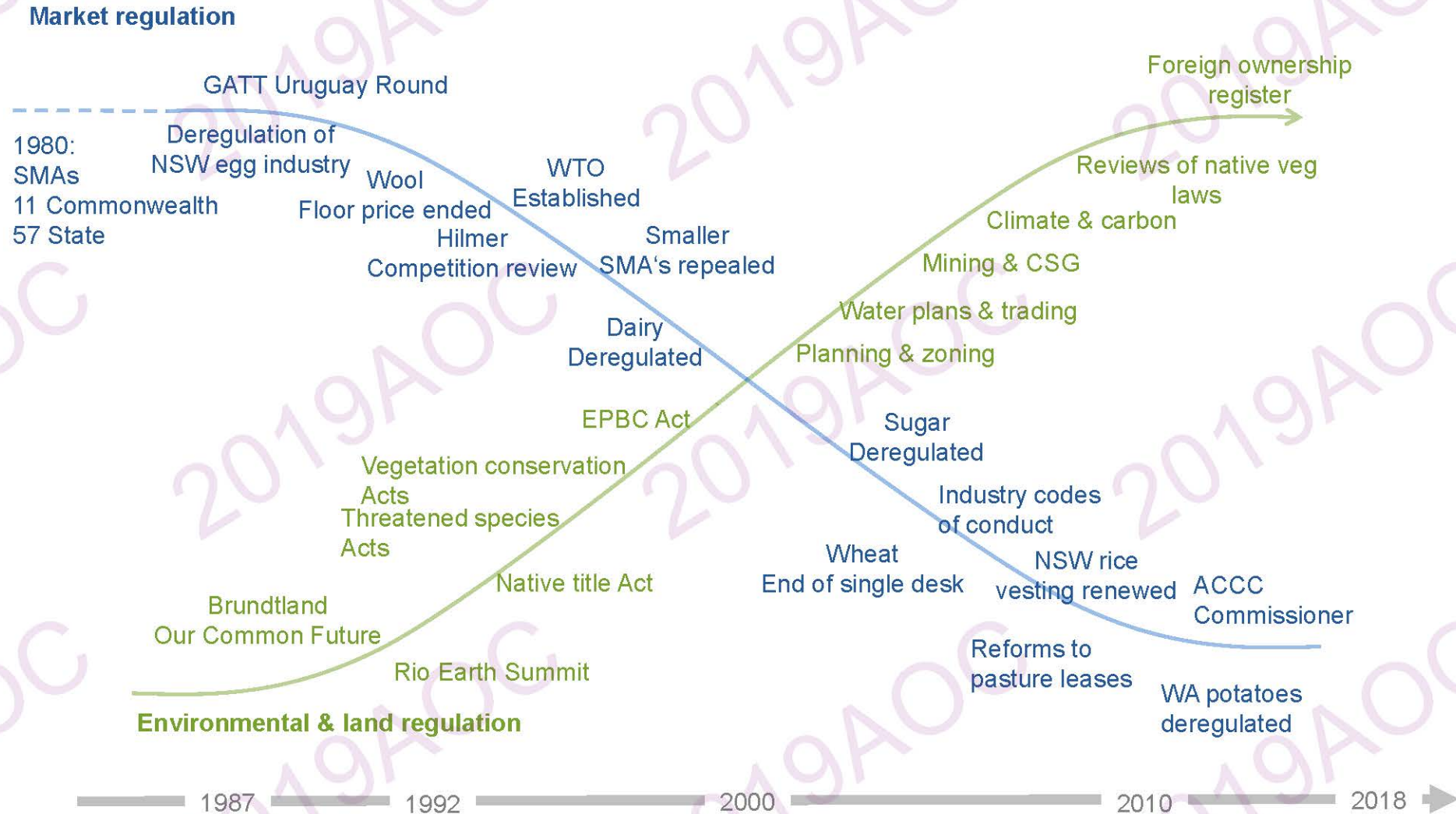
Share of agricultural production exported,
3-year average, 2014-15 to 2016-17



70%
of agricultural production
is exported

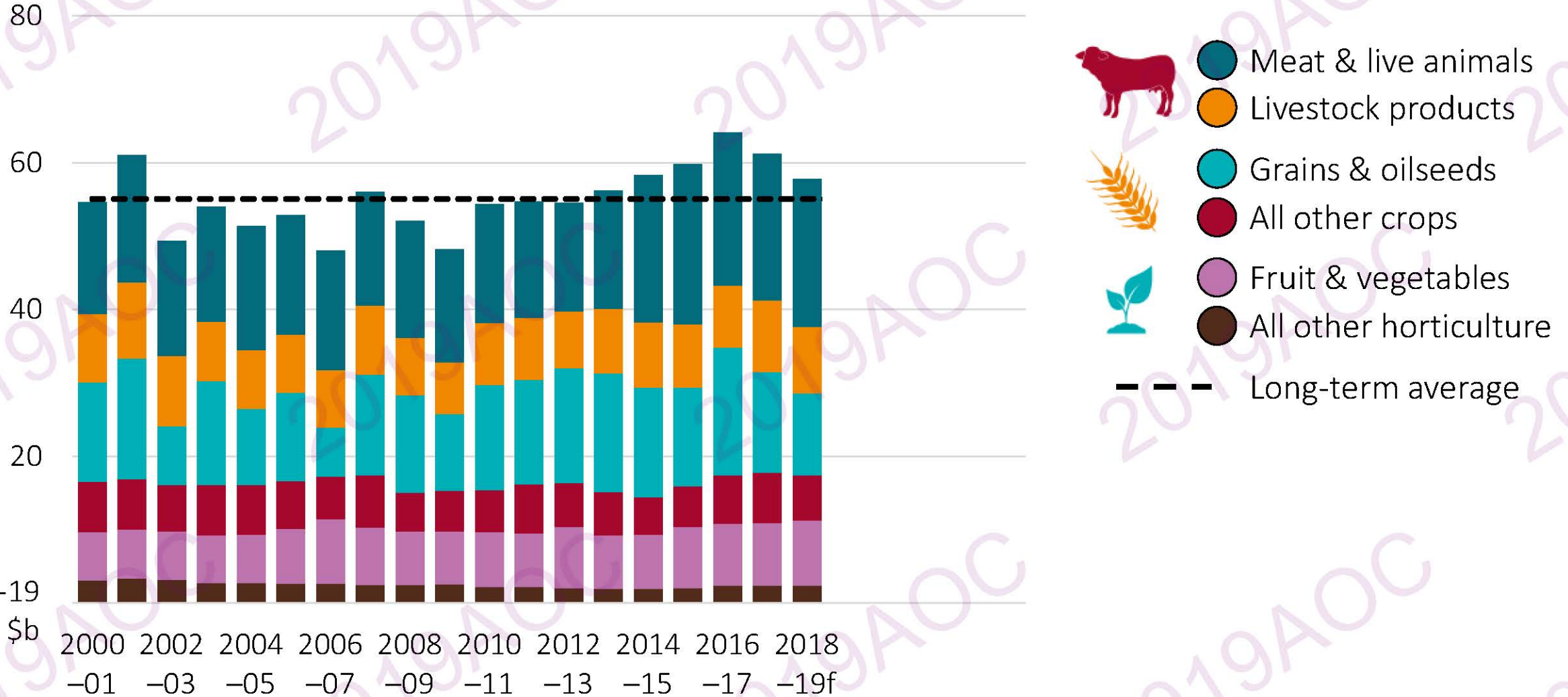


Microeconomic reform



Sector remains strong despite drought

Gross value of agricultural production



f Forecast. z Projection.

2018-19 winter crop: A tale of two halves

17.7Mt

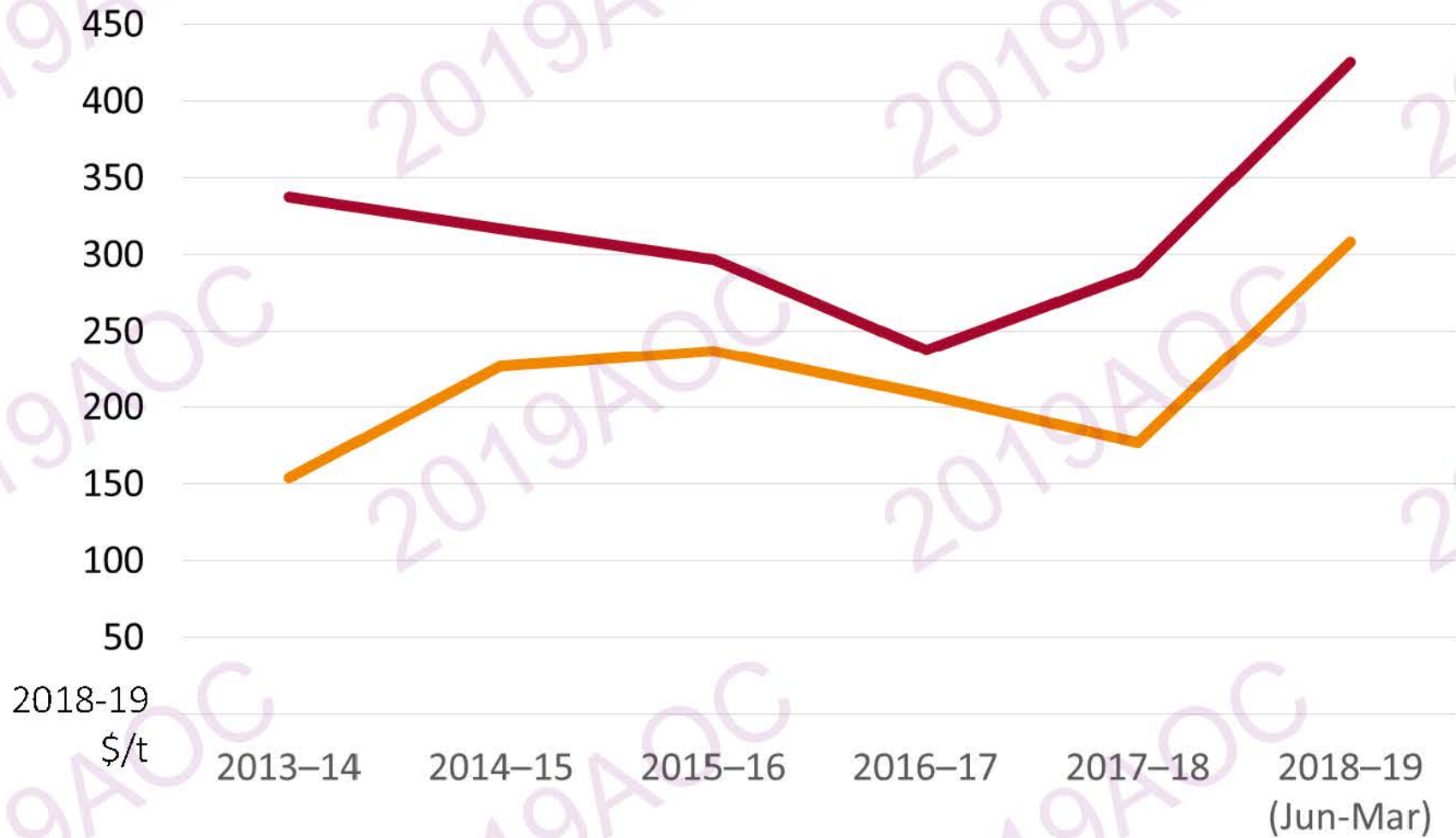
2nd biggest crop ever



12.7Mt

Smallest crop since
2006-07

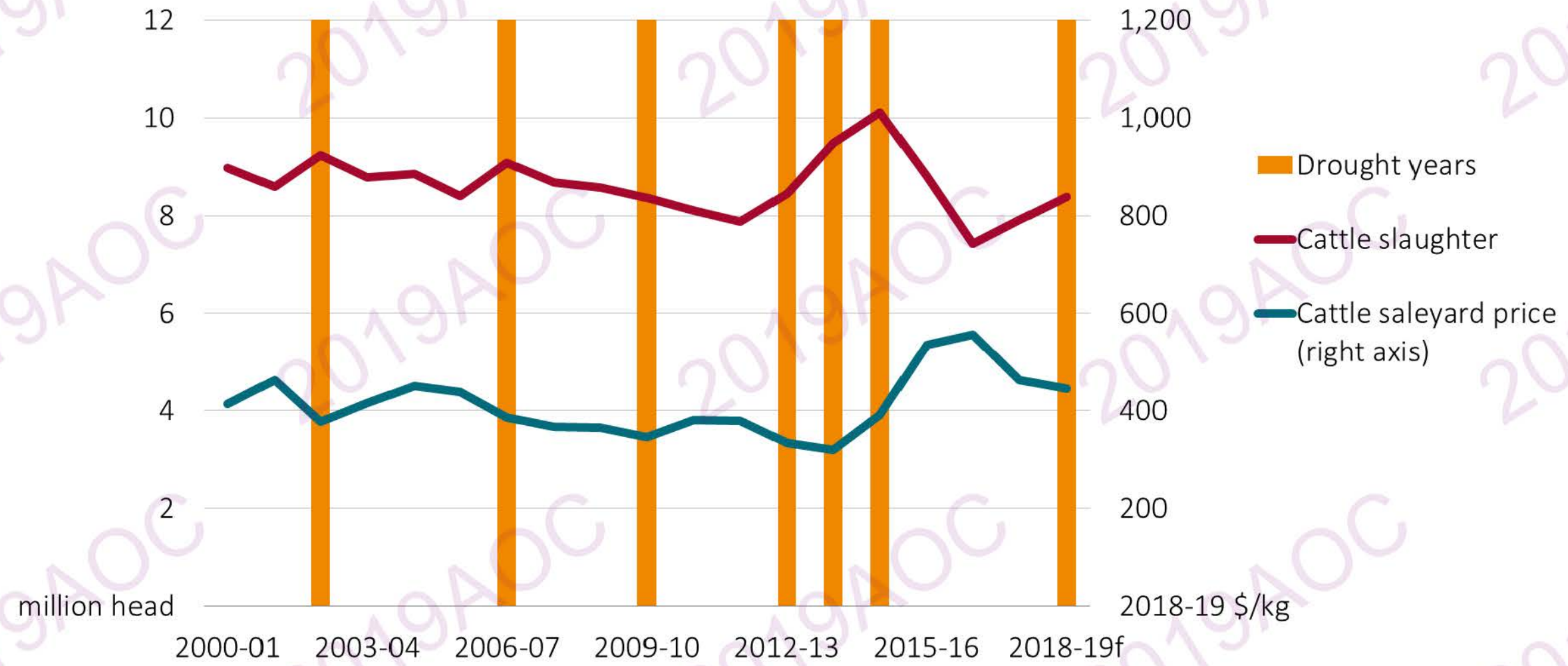
Feed grain and fodder costs have risen



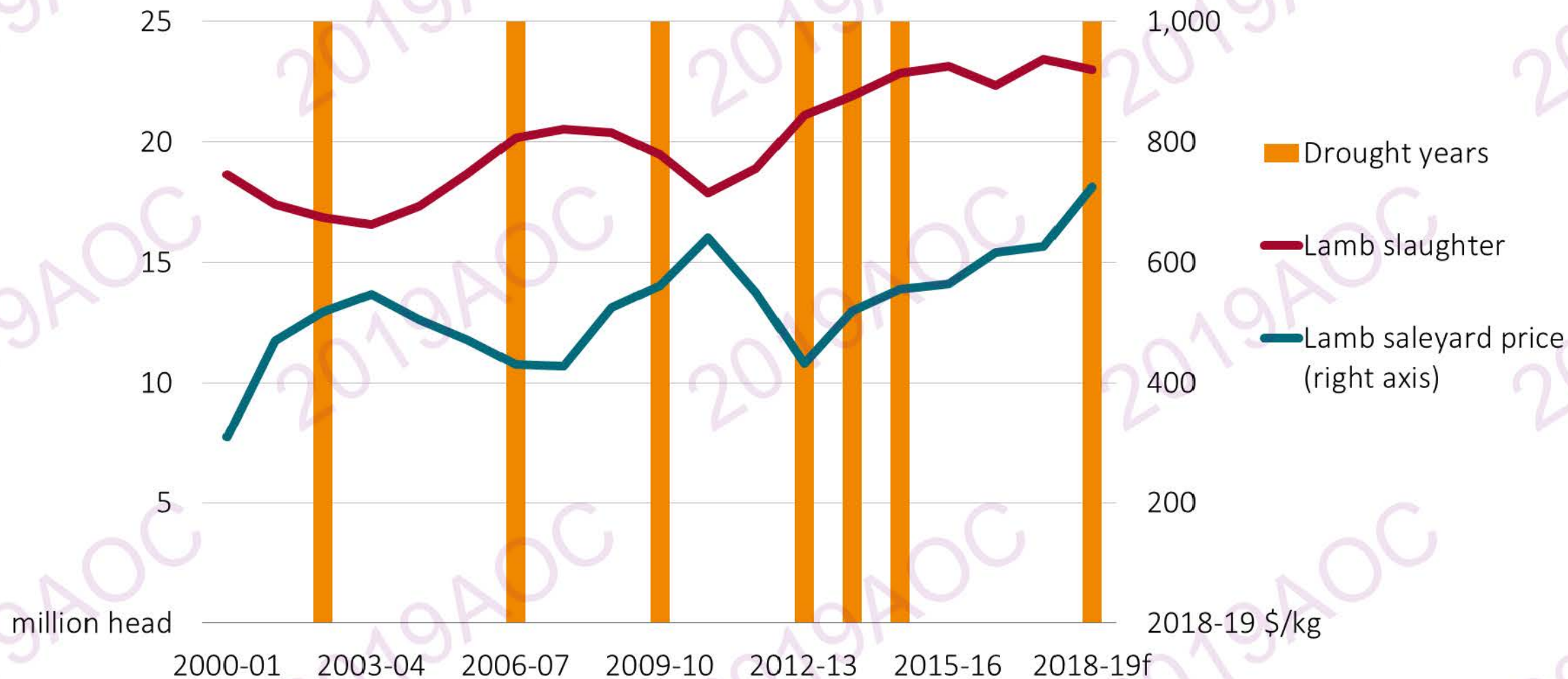
Feed wheat
+48%
compared to 2017-18

Hay
+74%
compared to 2017-18

Drought and strong prices driving cattle slaughter

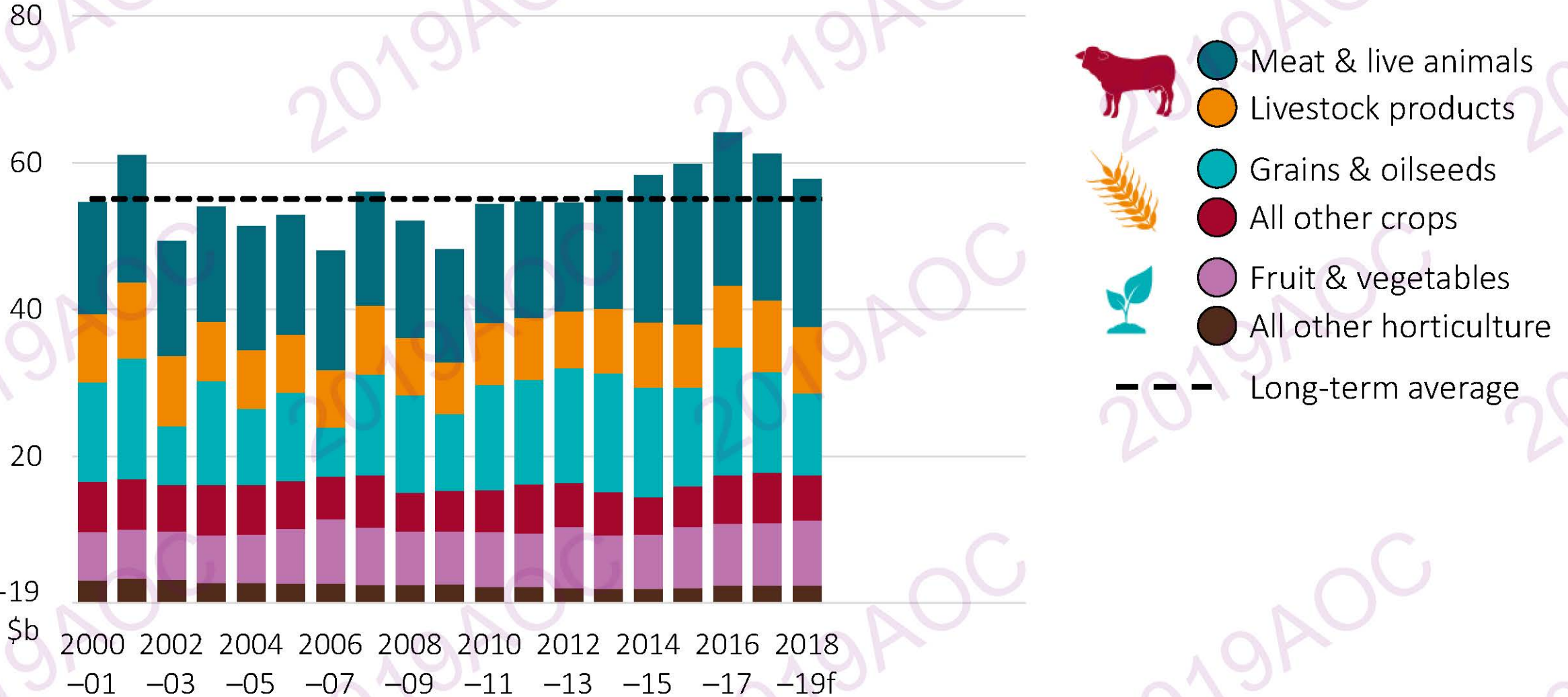


Lamb slaughter relatively unchanged



Sector remains strong despite drought

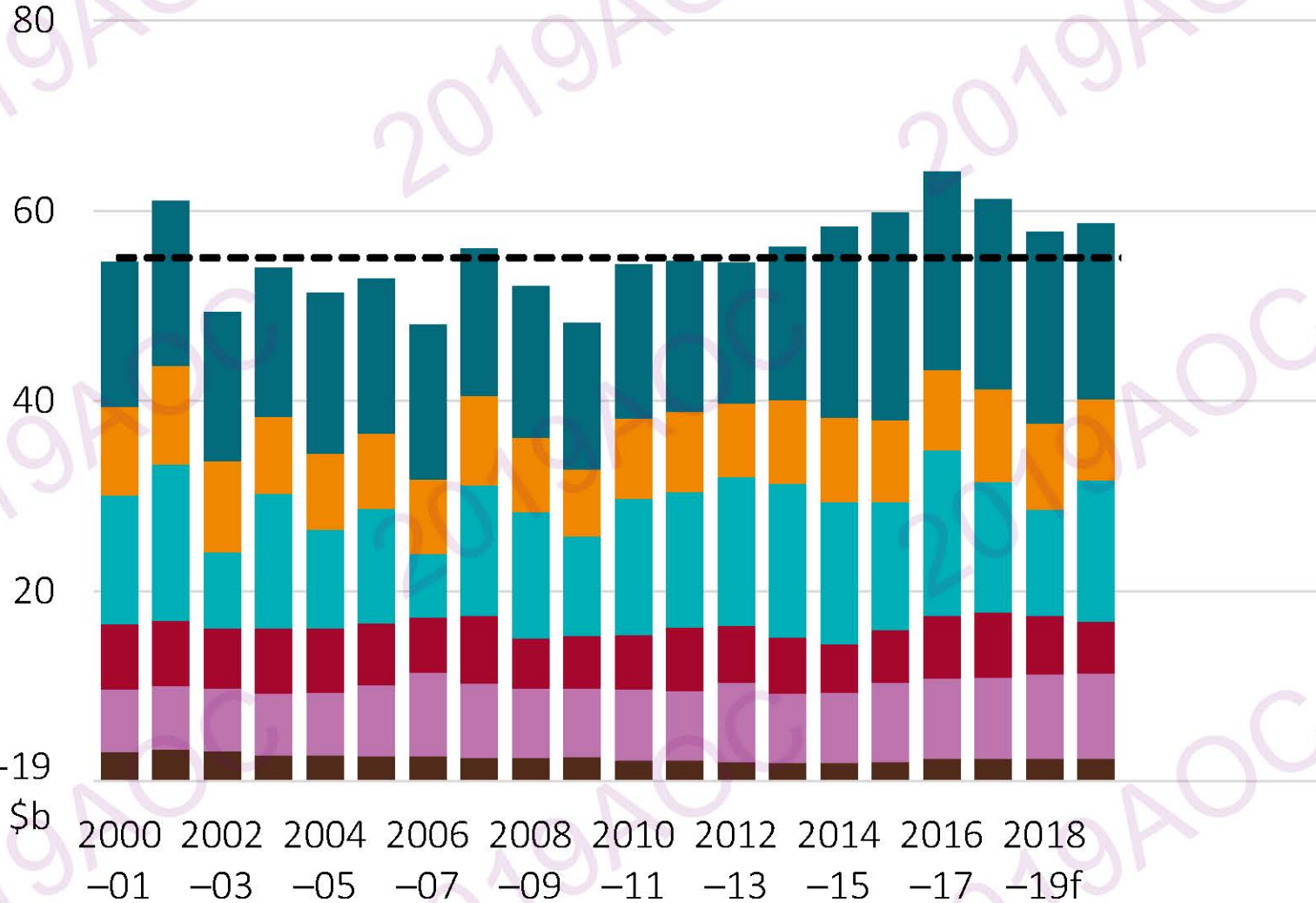
Gross value of agricultural production









f Forecast. z Projection.

Production to rebound

Gross value of agricultural production



-  ● Meat & live animals
-  ● Livestock products
-  ● Grains & oilseeds
-  ● All other crops
-  ● Fruit & vegetables
-  ● All other horticulture
- Long-term average

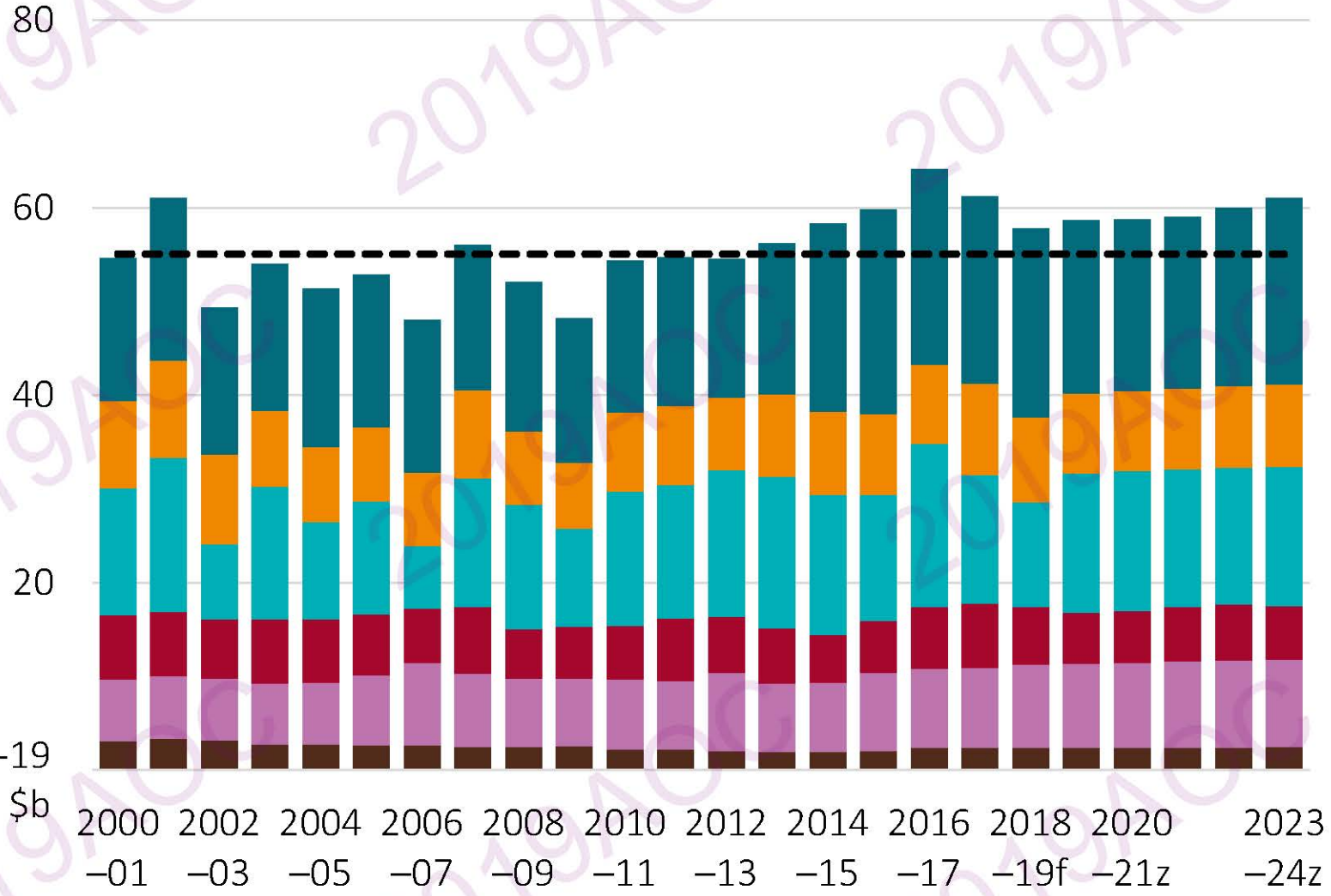
2018-19








\$b

f Forecast. z Projection.

And modest growth ahead

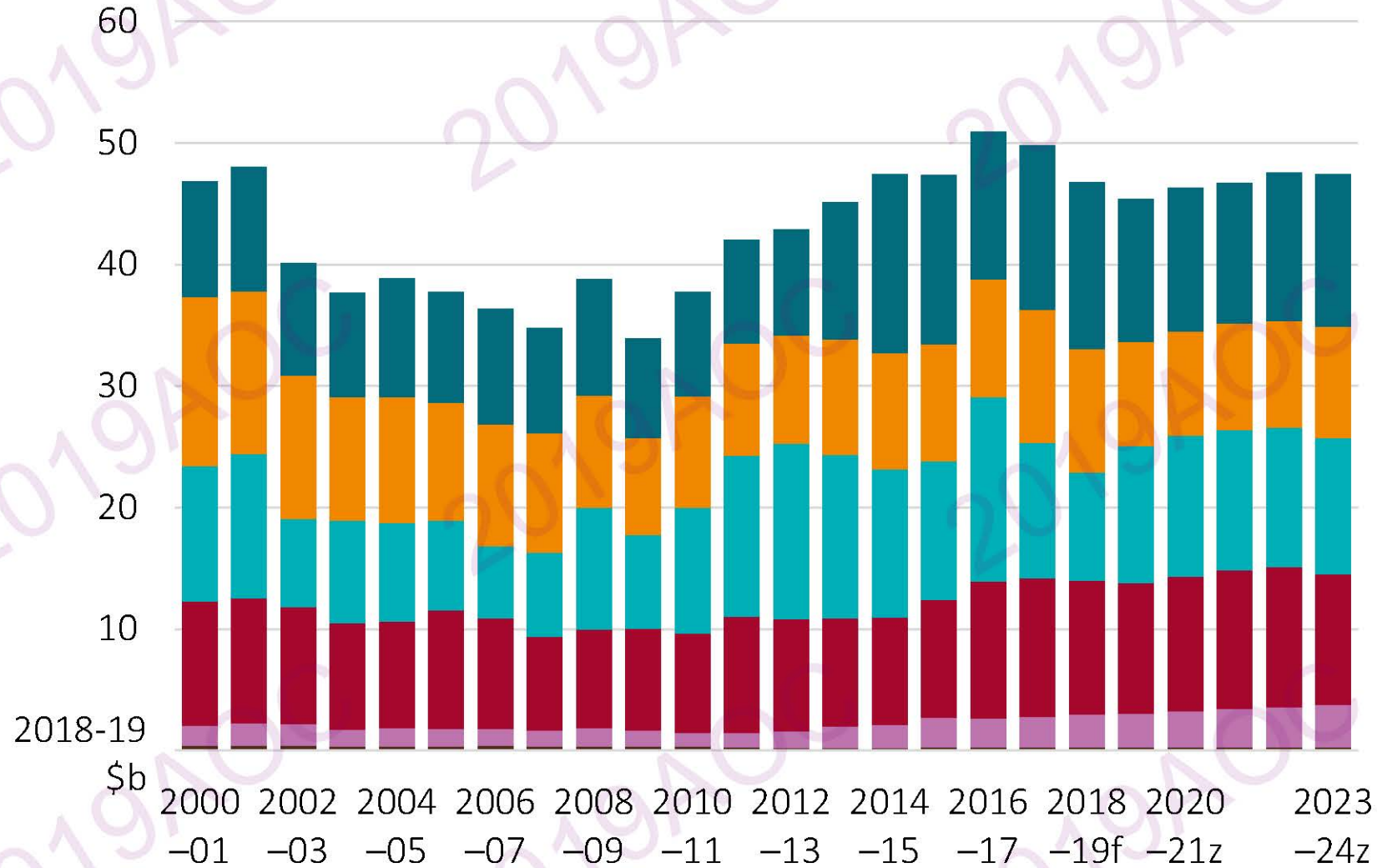
Gross value of agricultural production







-  Meat & live animals
-  Livestock products
-  Grains & oilseeds
-  All other crops
-  Fruit & vegetables
-  All other horticulture
-  Long-term average

f Forecast. z Projection.

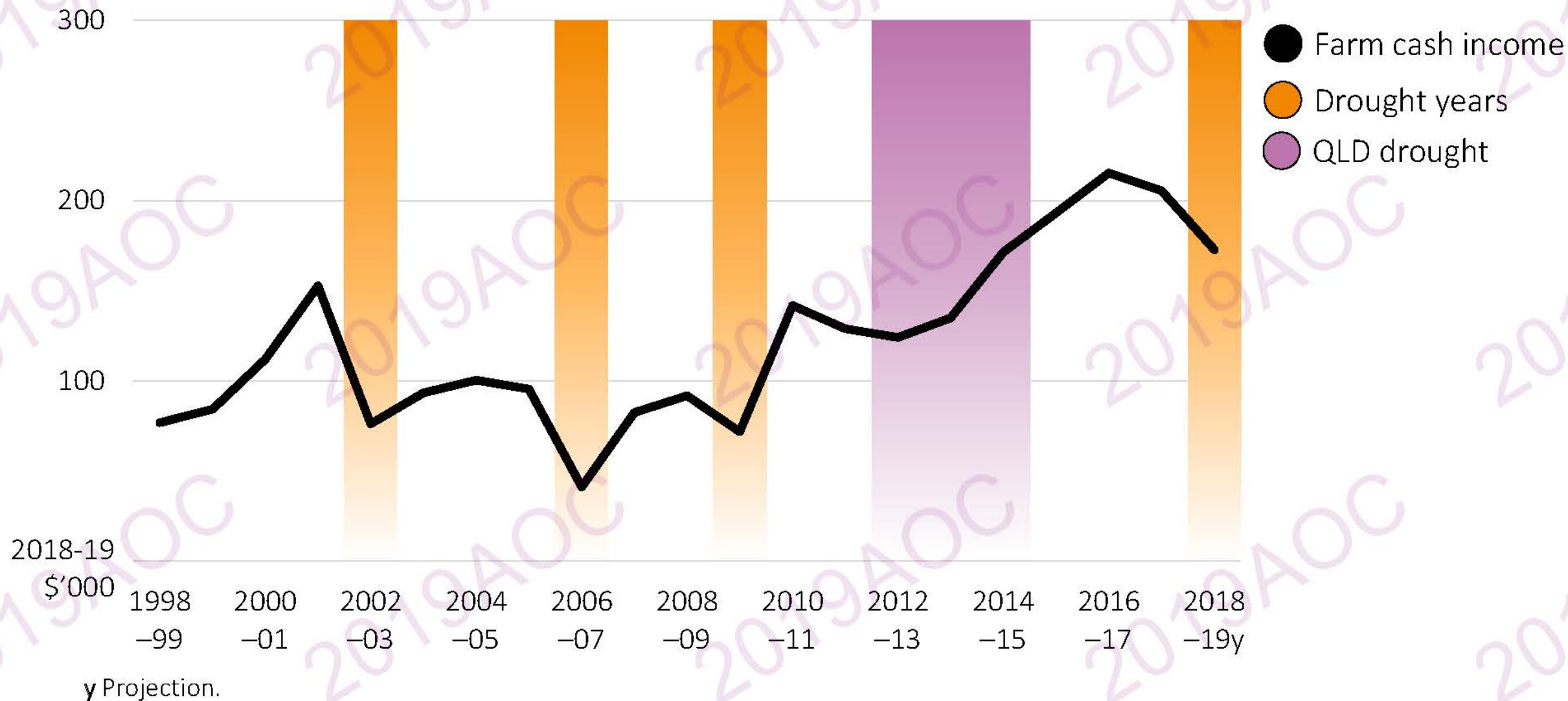
Exports to grow modestly



-  Meat & live animals
-  Livestock products
-  Grains & oilseeds
-  All other crops
-  Fruit & vegetables
-  All other horticulture

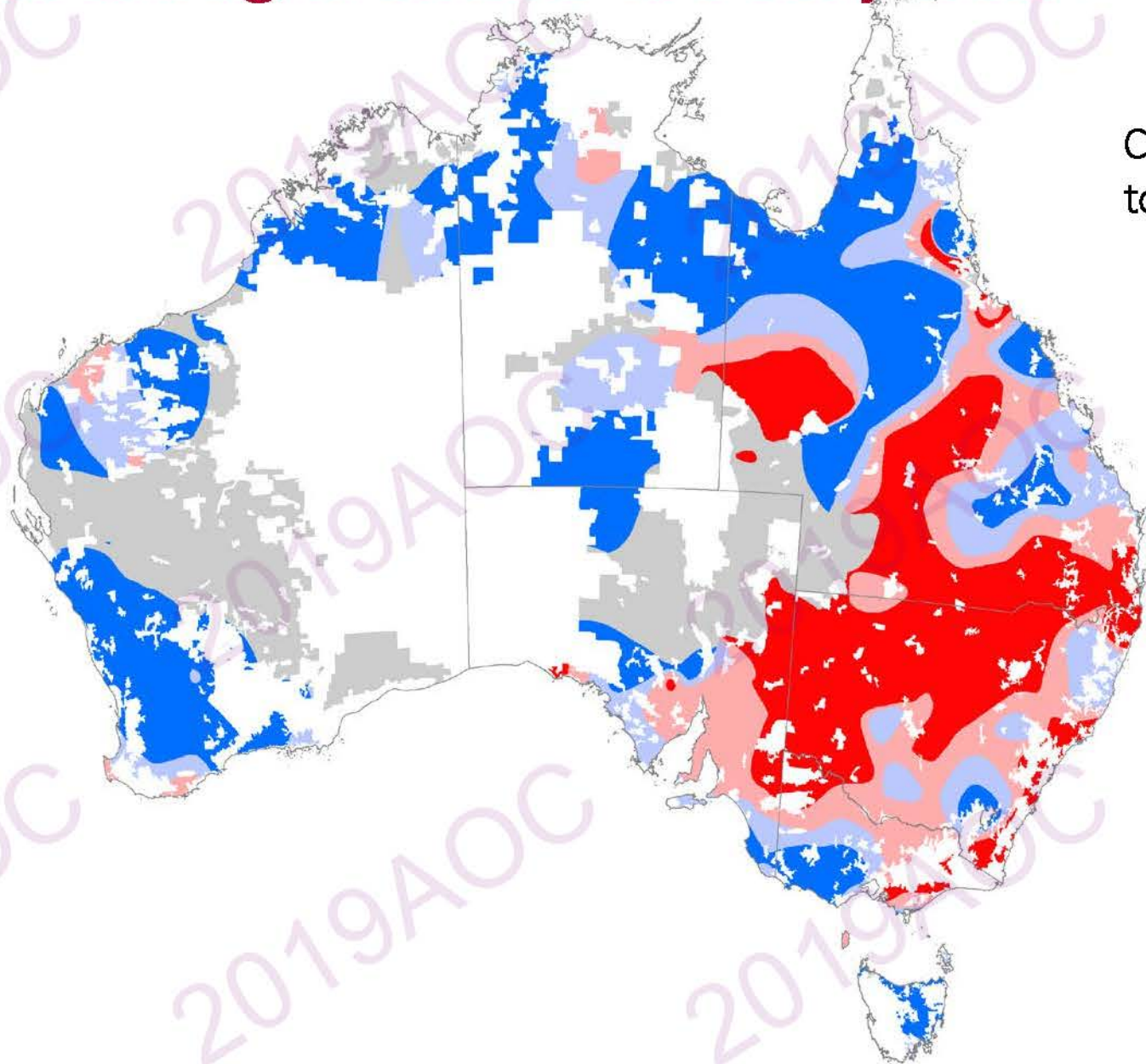
f Forecast. z Projection.

Incomes hit by drought, but still high ... on average



Regional drought effects are very clear

Current farm cash income compared to average over the previous 10 years



● >25% below average

● 0-25% below average

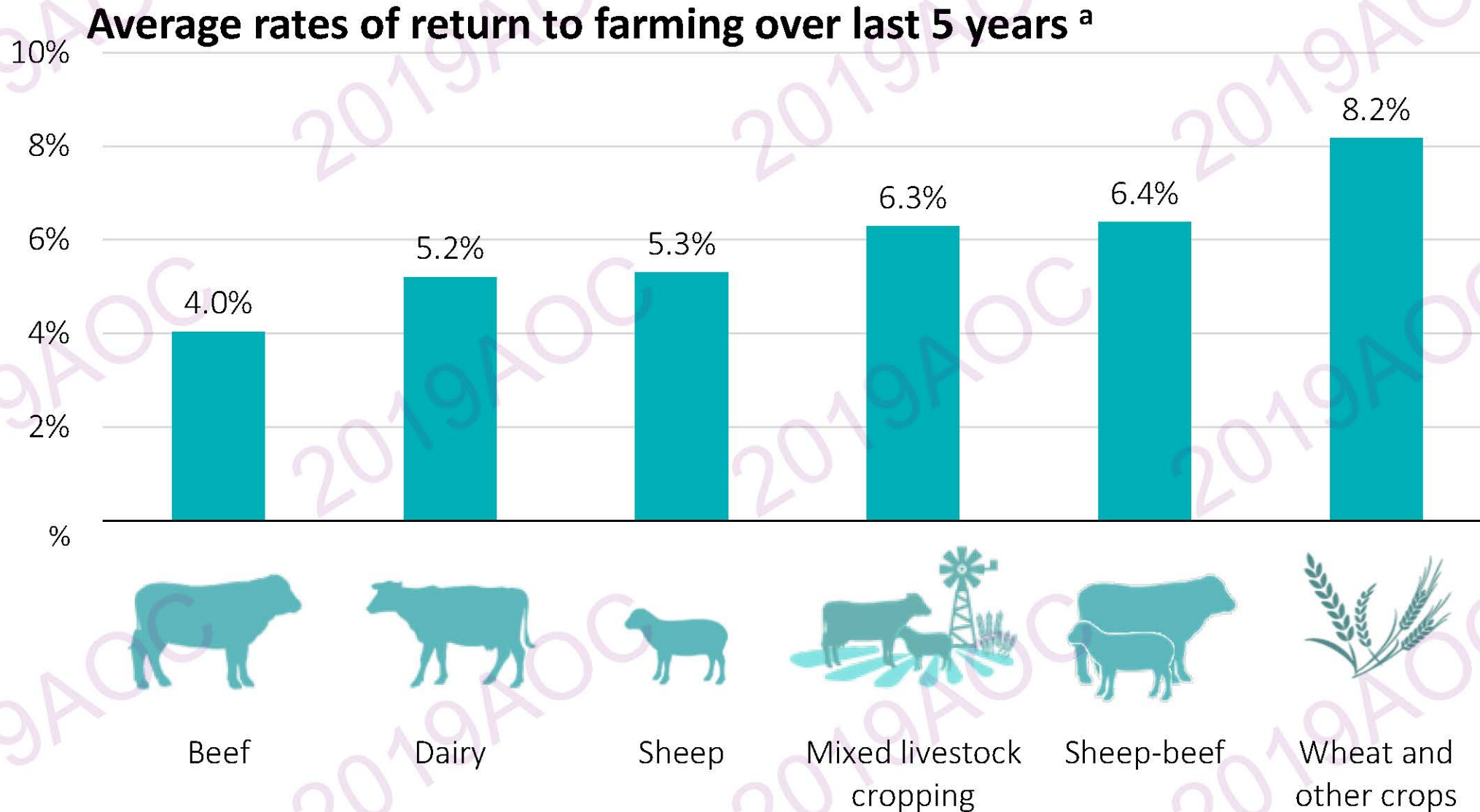
● 0-25% above average

● >25% above average

● Insufficient data

○ Non-agricultural land

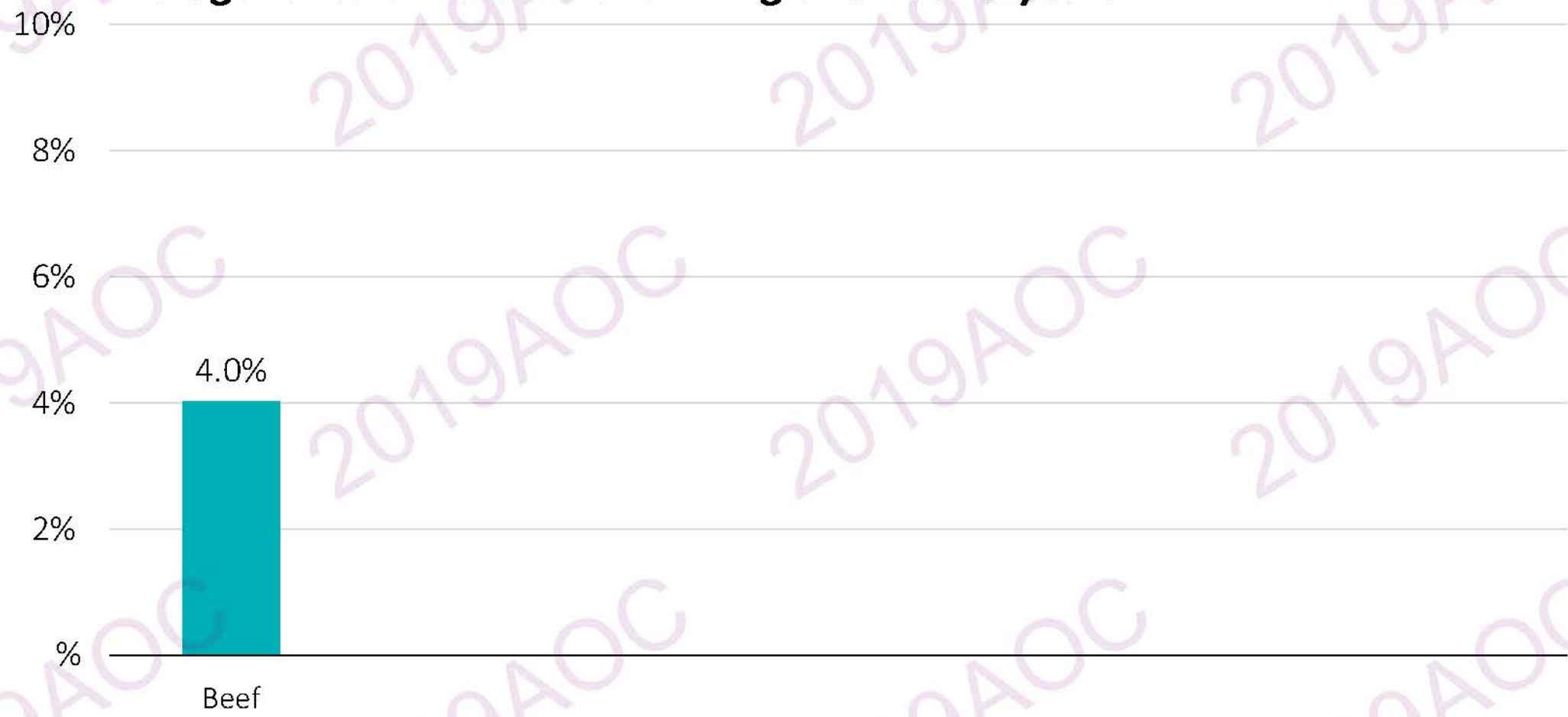
Recent returns to farming have been good



^a Including capital appreciation.

Beef farming returns

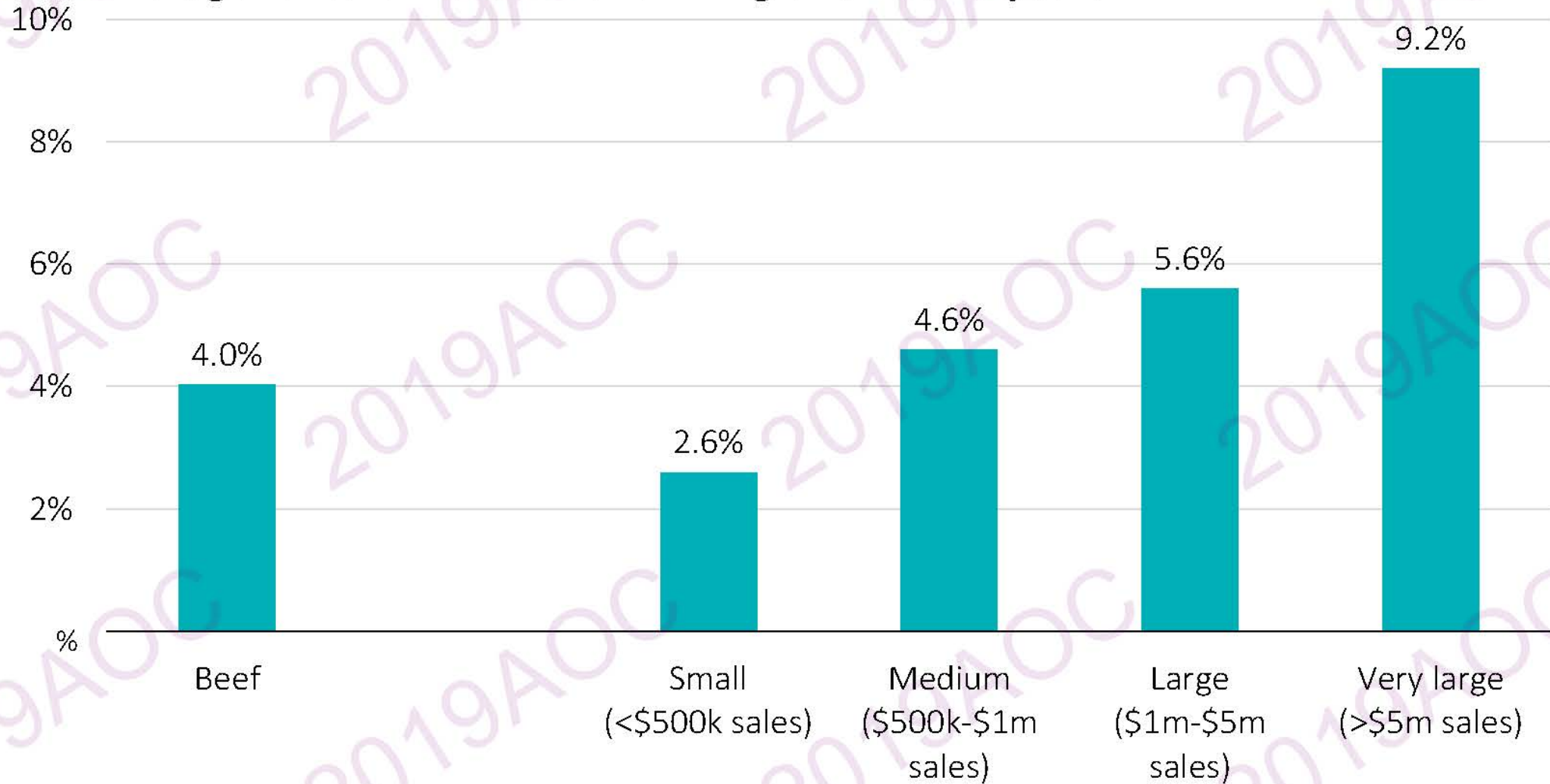
Average rates of return to farming over last 5 years ^a



^a Including capital appreciation.

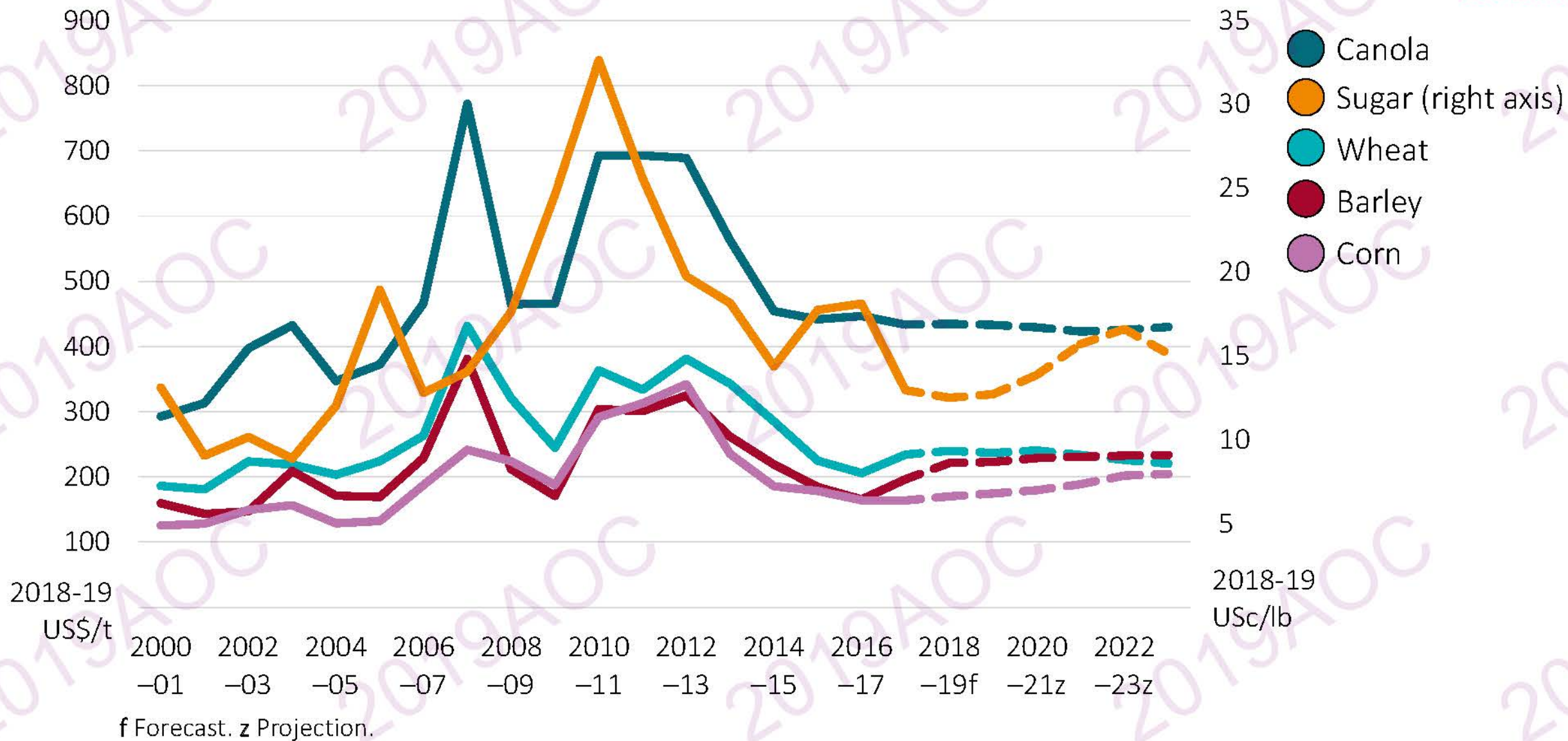
Beef farming returns are linked to size

Average rates of return to farming over last 5 years ^a

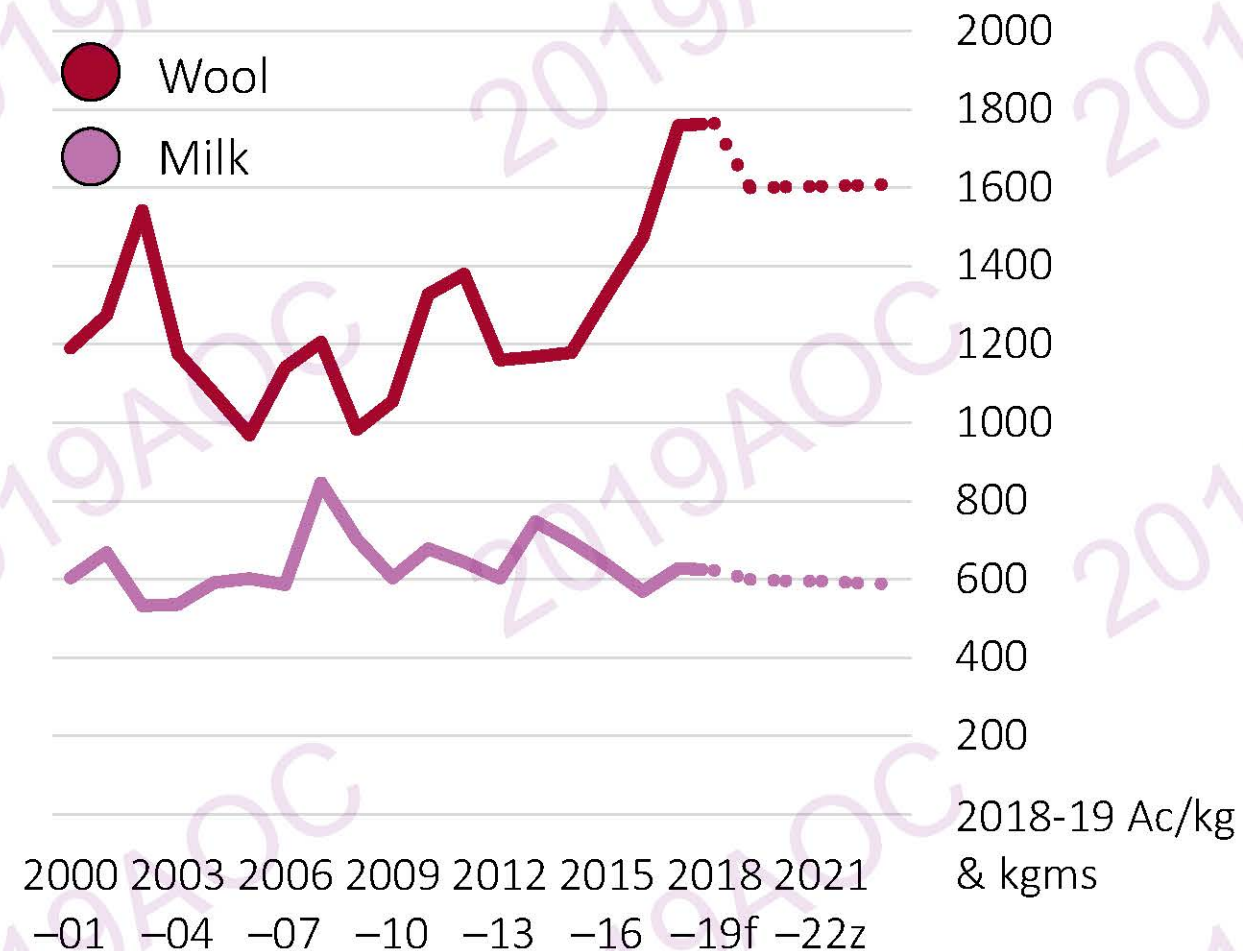
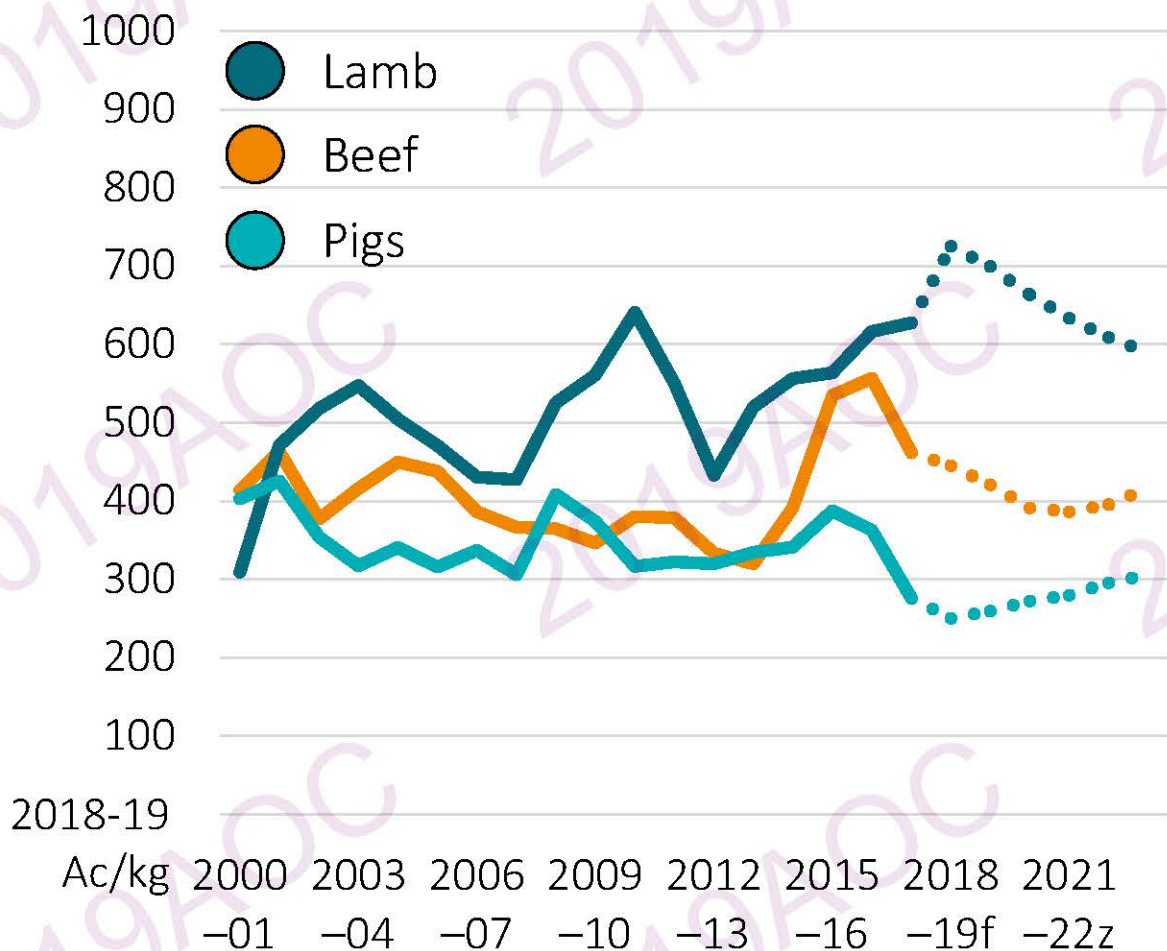


^a Including capital appreciation.

Crop prices will remain low, risks to upside



Livestock and products outlook is mixed



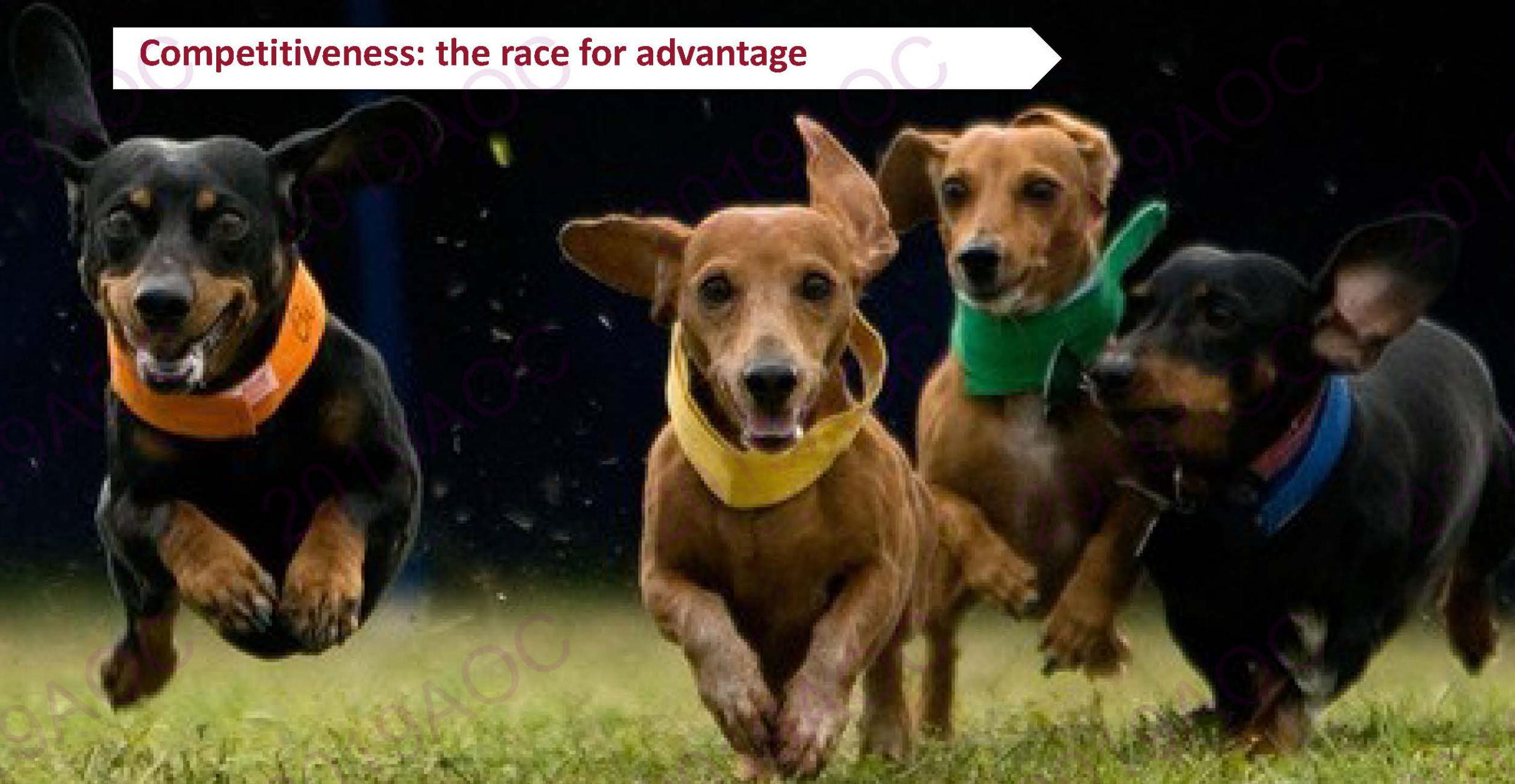
f Forecast. z Projection.

- Drought impacts vary
 - Incomes will improve ... with rain
- Demand growth strong
- Competition will keep a lid on some prices
- Herd and flock rebuilding ... with rain

Long term trends shaping Australian agriculture

- Markets for farm inputs and outputs
- Technology development and uptake
- Structural change
- Climate change
- Society's expectations of farmers

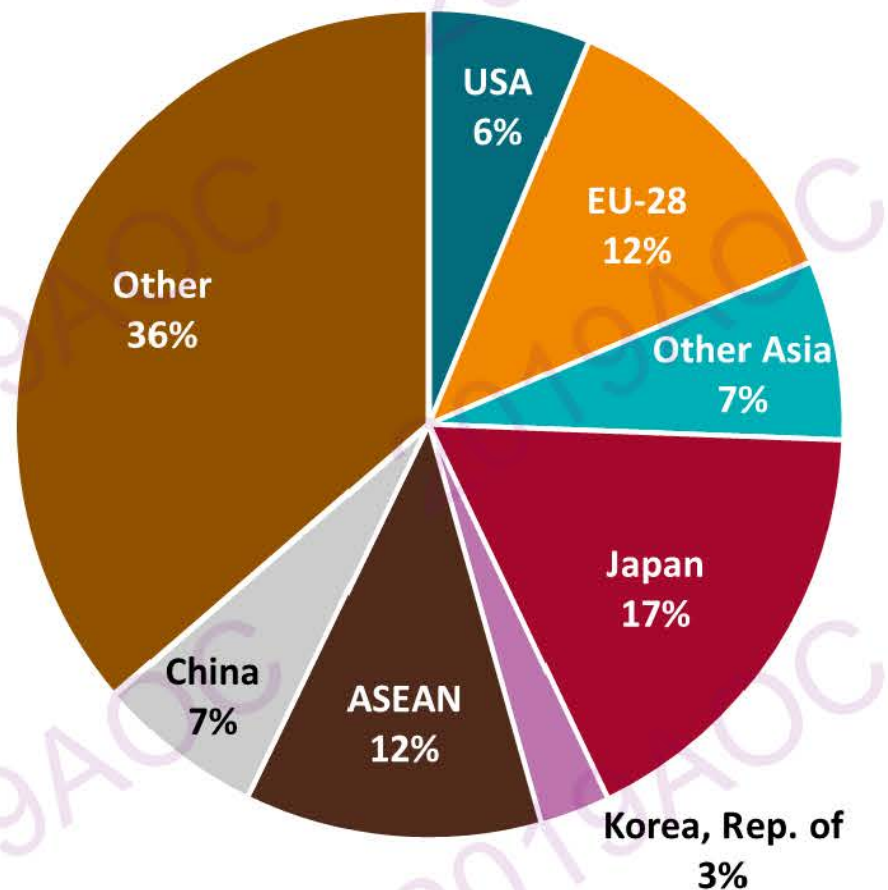
Competitiveness: the race for advantage



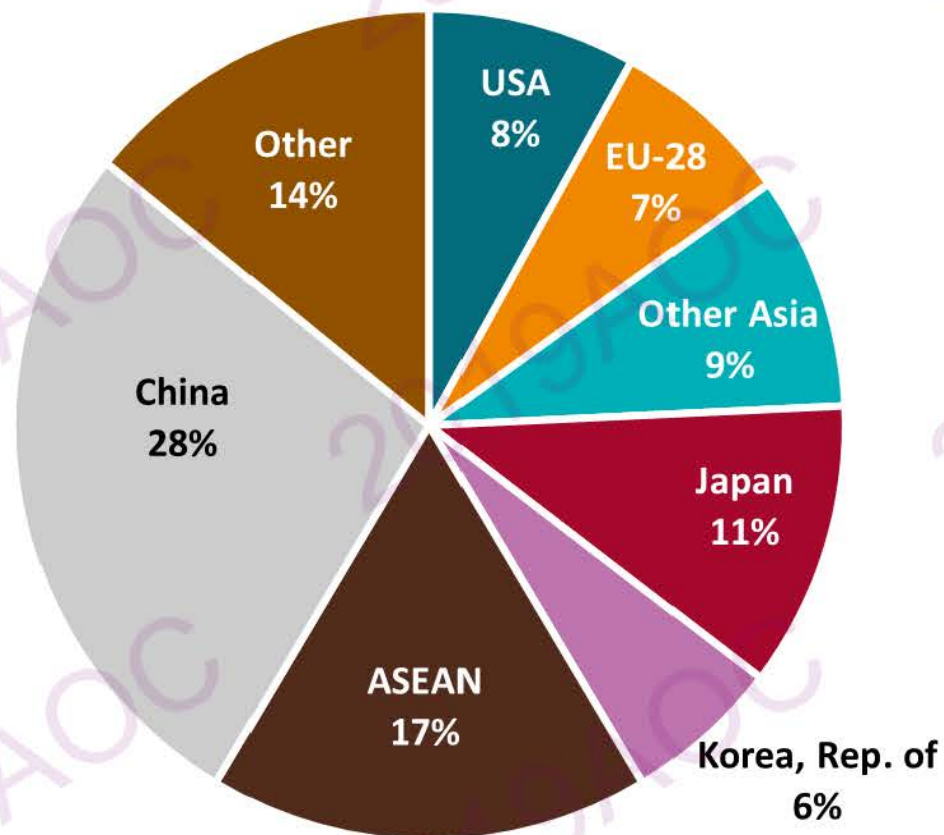
Australia's agricultural export markets are changing

Around two-thirds now exported to Asia

1997-98
\$30.4 billion



2017-18
\$50 billion

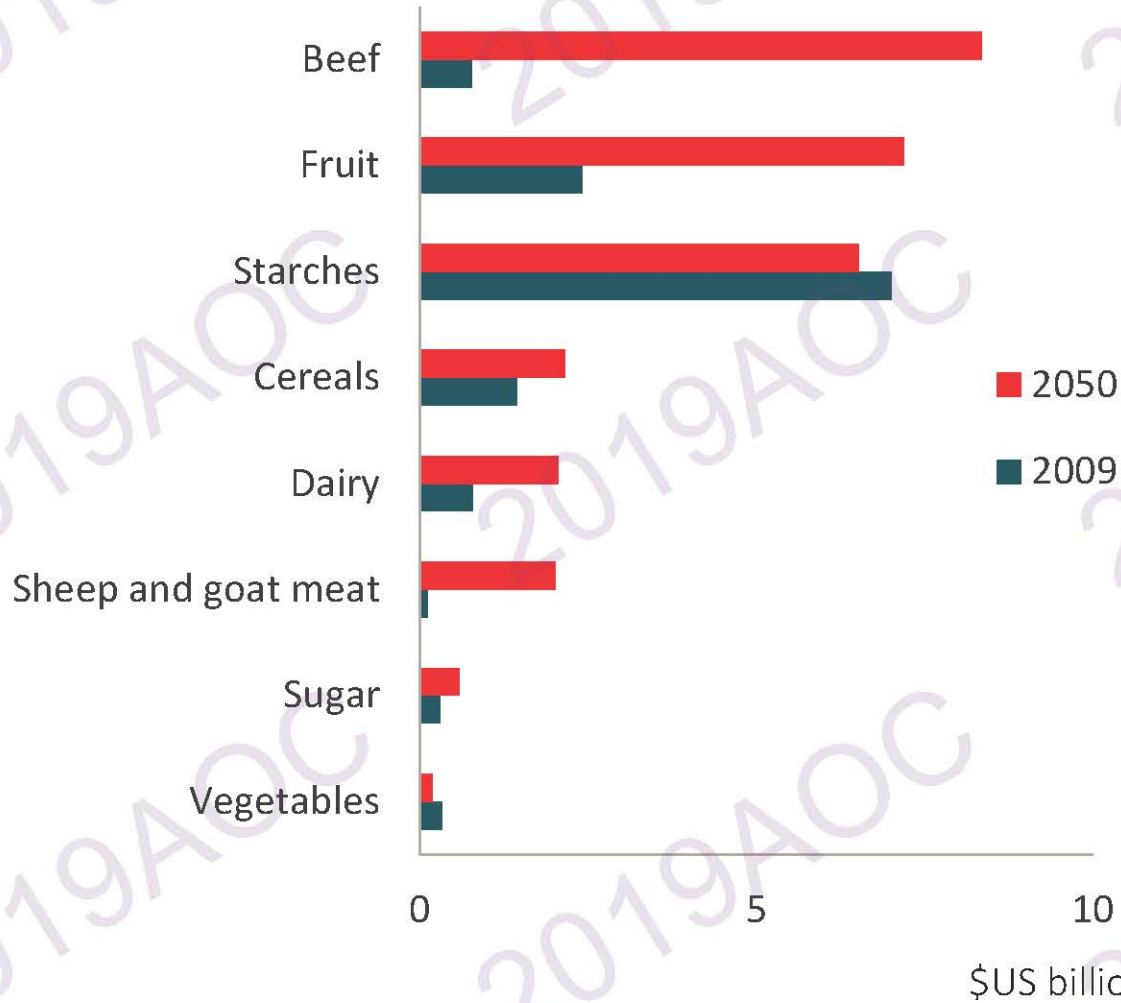


Note: Values reported in constant 2017-18 Australian dollars

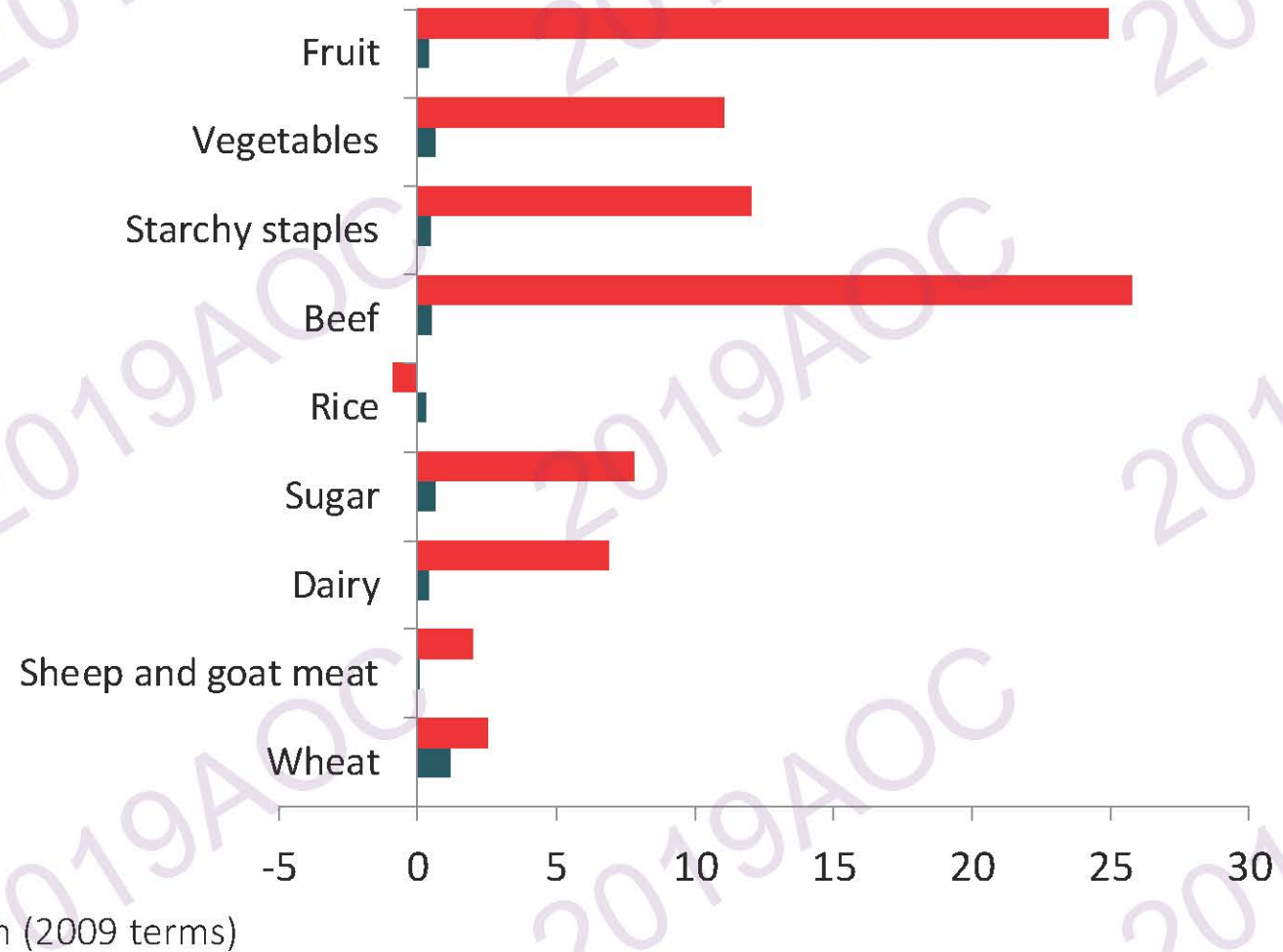
China and Indonesia food imports – 2009 and 2050



China



Indonesia



\$US billion (2009 terms)

Resource scarcity

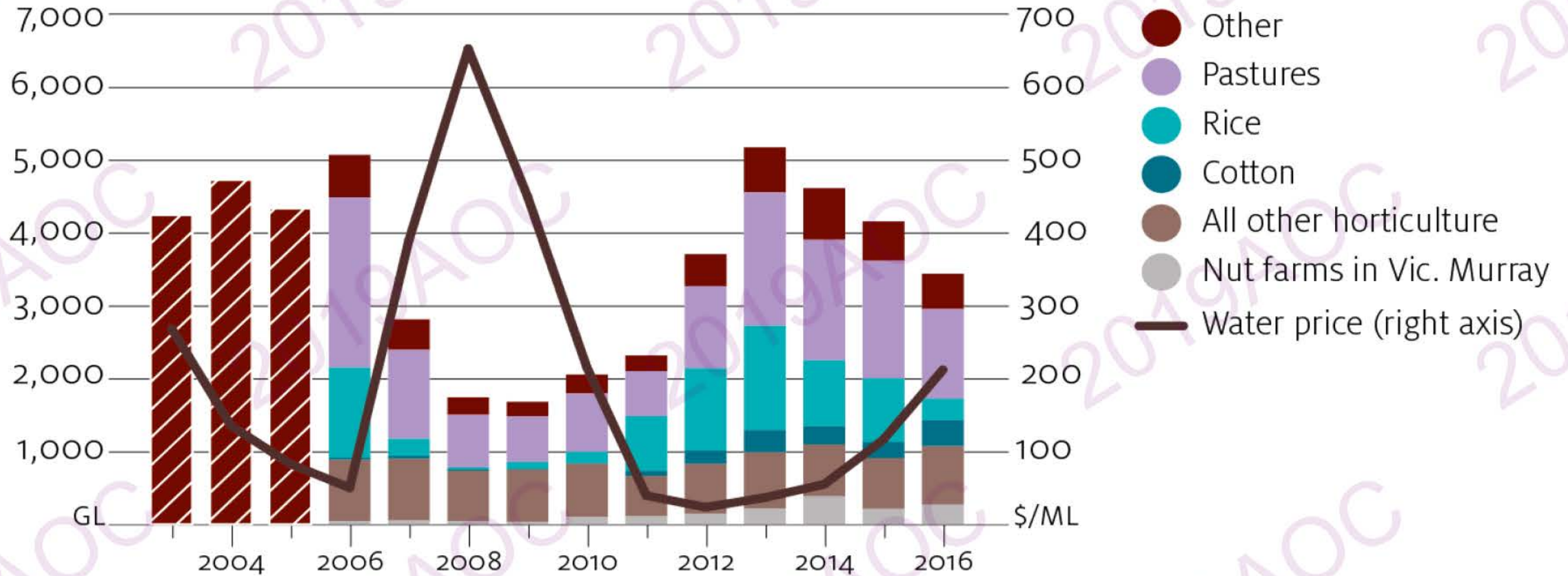
“Buy land, they’re not making it anymore”



Resource scarcity

... makes it crucial to support efficient resource allocation

Historical water use in southern Murray-Darling Basin

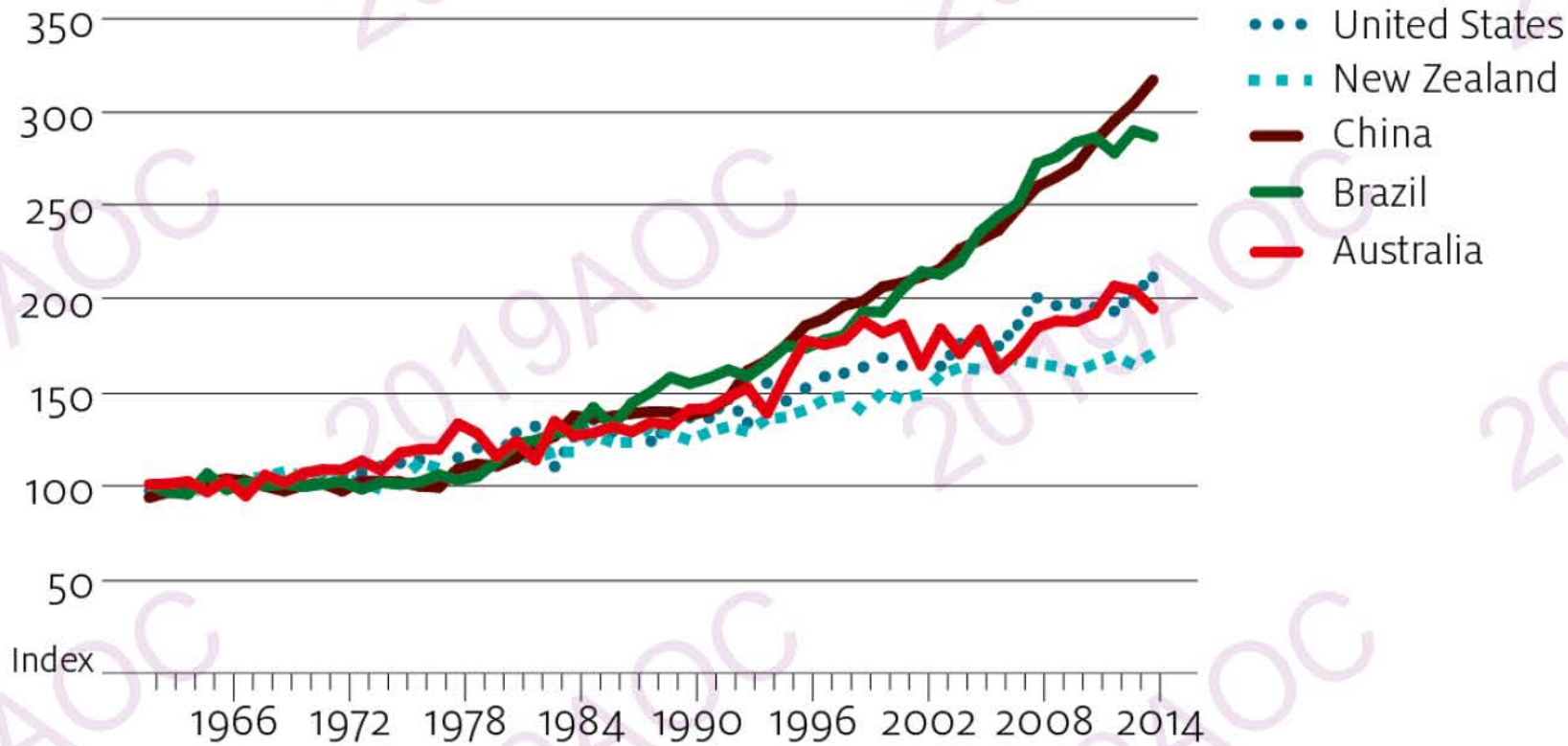


Water use by irrigation activity and water allocation price
 Source: ABARES; Australian Bureau of Statistics

Productivity growth

Australian productivity growth is keeping pace with advanced economies, but emerging producers are catching up

Change in productivity from base year, selected countries



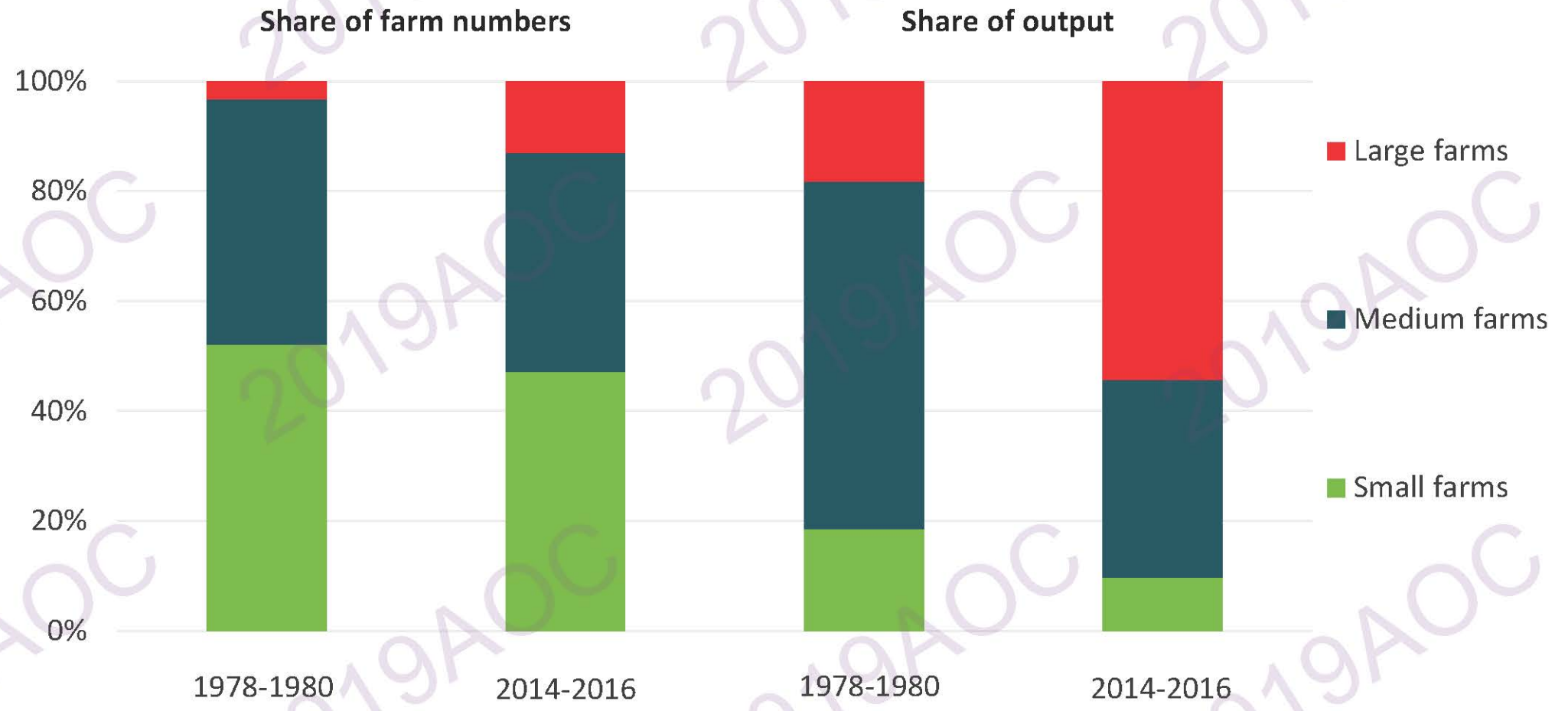
(Index of total factor productivity at constant real prices. Average of 1962 to 1967 = 100)

Source: US Department of Agriculture Economic Research Service 2017

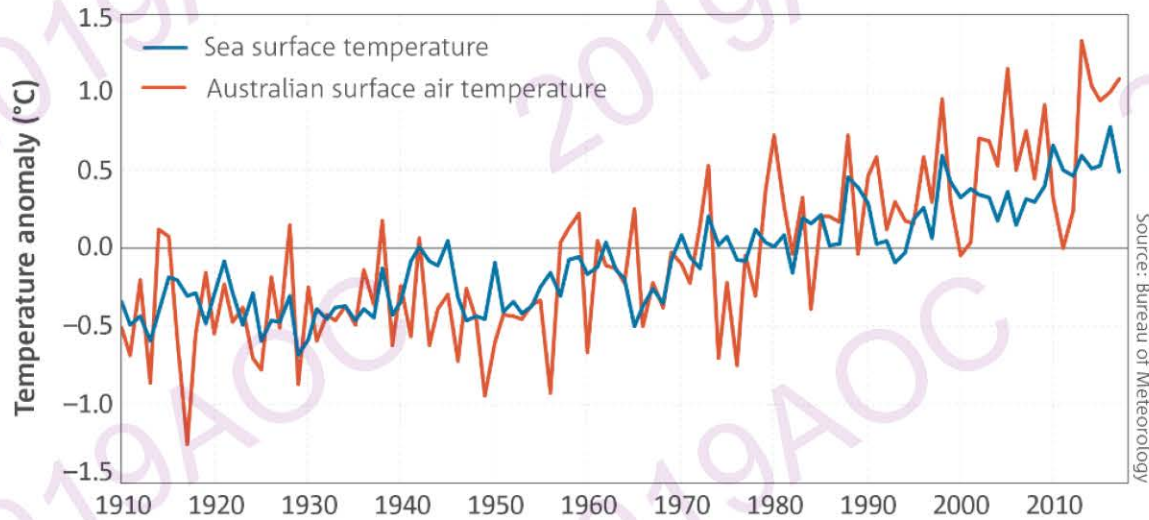
Structural change



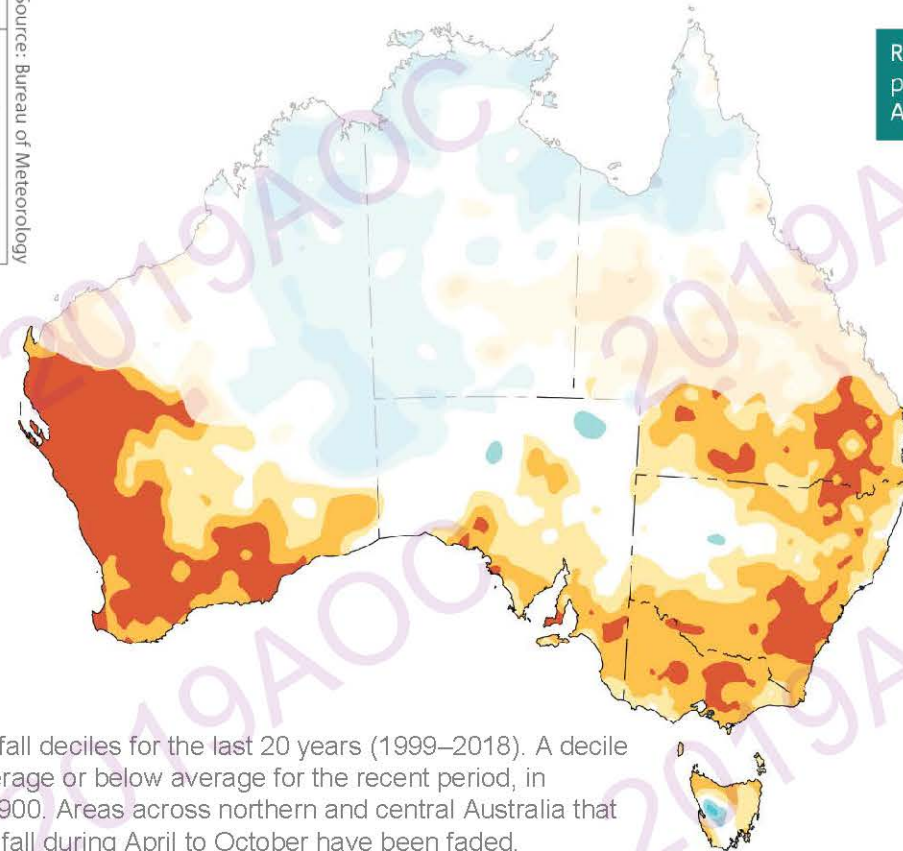
Share of farm numbers and output by farm size 1978-1980 and 2014-2016



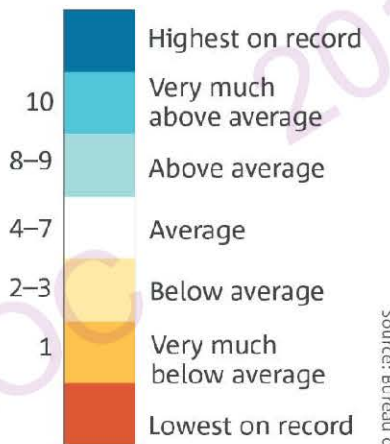
Adaptation to climate change



Time series of anomalies in sea surface temperature and temperature over land in the Australian region. Anomalies are the departures from the 1961–1990 average climatological period.



Rainfall decile ranges



Southern growing season (April to October) rainfall deciles for the last 20 years (1999–2018). A decile map shows where rainfall is above average, average or below average for the recent period, in comparison with the entire rainfall record from 1900. Areas across northern and central Australia that receive less than 40 per cent of their annual rainfall during April to October have been faded.

Consumer preferences

Reputation is a common property resource



Australian Government
Department of Agriculture
and Water Resources
ABARES

2019
OUTLOOK



Beef cattle, New South Wales
The Straits Times



Salmon farming, Macquarie Harbour, Tasmania
Environment Tasmania



Chicken shed, Victoria
Australian Chicken Meat Federation



Australian Government
**Department of Agriculture
and Water Resources**
ABARES



2019
OUTLOOK
agriculture.gov.au/abares

agriculture.gov.au/abares

