Australian agricultural outlook

Outlook to 2023-24

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5 – 6 March 2019
• Production and export performance

• Farm incomes
  • Impact of drought

• Macro economic assumptions
  • China agricultural policy

• Commodity outlook
Sector remains strong despite drought

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

Long-term average

f Forecast. z Projection.
A tale of two halves – 2018-19 winter crop

17.7mt
2nd biggest crop ever

3.6mt
Smallest crop since 1994-95
Sector remains strong despite drought

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

Long-term average

f Forecast. z Projection.
Production to rebound

f Forecast. z Projection.
And modest growth ahead

Forecast. Projection.

![Bar chart showing agricultural sectors from 2000 to 2018-19 and projections to 2023. Sectors include Meat & live animals, Livestock products, Grains & oilseeds, All other crops, Fruit & vegetables, All other horticulture. The chart shows the long-term average and individual annual values.]

- 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, risks mounting

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

Forecast. z Projection.
Incomes hit by drought, but still high ... on average

![Graph showing farm cash income and drought years from 1998-19 onwards.](image-url)
Regional drought effects are very clear

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

- Red: >25% below average
- Pink: 0-25% below average
- Light blue: 0-25% above average
- Dark blue: >25% above average
- Gray: Insufficient data
- Circle: Non-agricultural land
NSW broadacre cropping receipts down sharply

Farm cash receipts down $516,000 on average

- Interest paid
- Freight, handling & marketing
- Repairs & maintenance
- Fertiliser
- Herbicides & pesticides
- Other cash costs


$'000

2018–19 $516,000

p Provisional estimate. y Projection.
NSW beef farms have fared better

Fodder costs +47% on average

Farm cash receipts -10% on average

Provisional estimate. y Projection.
VIC mixed enterprise receipts increased...

<table>
<thead>
<tr>
<th>Year</th>
<th>Wool</th>
<th>Sheep &amp; lambs</th>
<th>Beef cattle</th>
<th>Grain, oilseed &amp; legume</th>
<th>Other crops</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013–14</td>
<td>100</td>
<td>200</td>
<td>50</td>
<td>150</td>
<td>20</td>
</tr>
<tr>
<td>2014–15</td>
<td>150</td>
<td>250</td>
<td>75</td>
<td>200</td>
<td>25</td>
</tr>
<tr>
<td>2015–16</td>
<td>200</td>
<td>300</td>
<td>100</td>
<td>250</td>
<td>30</td>
</tr>
<tr>
<td>2016–17</td>
<td>250</td>
<td>350</td>
<td>125</td>
<td>300</td>
<td>35</td>
</tr>
<tr>
<td>2017–18p</td>
<td>300</td>
<td>400</td>
<td>150</td>
<td>350</td>
<td>40</td>
</tr>
<tr>
<td>2018–19y</td>
<td>350</td>
<td>450</td>
<td>175</td>
<td>400</td>
<td>45</td>
</tr>
</tbody>
</table>

p Provisional estimate. y Projection.
...and costs fell

- Farm cash receipts
- Freight, handling & marketing
- Livestock purchases
- Repairs & maintenance
- Other cash costs

$'000


2018–19 Projection.

p Provisional estimate.
Dairy incomes down

![Graph showing farm cash income and farm business profit from 1998 to 2018-19, with a downward trend from 2000 to 2018-19.](graph.png)

- Projection.
Income falls in dairy are widespread

- New South Wales: -66%
- Queensland: -56%
- Victoria: -49%
- Western Australia: -29%
- South Australia: -24%
- Tasmania: 7%
Fodder costs are a primary driver

NSW dairy farms
- Farm cash receipts
- Repairs & maintenance
- Other cash costs

Fodder costs
+$108,000 compared to 2016–17

$'000

2018-19

p Provisional estimate. y Projection.
Proportion of milk produced at a profit

2000–01
2002–03
2004–05
2006–07
2008–09
2010–11
2012–13
2014–15
2016–17
2018–19

77% Milk produced at a profit on average since 2000–01

64% Milk produced at a profit in 2018–19

p Provisional estimate. y Projection. Proportion of businesses covering all cash and finance costs.
Recent returns to farming have been good

Average rates of return to farming over last 5 years\textsuperscript{a}

- Beef: 4.0%
- Dairy: 5.2%
- Sheep: 5.3%
- Mixed livestock cropping: 6.3%
- Sheep-beef: 6.4%
- Wheat and other crops: 8.2%

\textsuperscript{a} Including capital appreciation.
Beef farming returns

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

\[\text{Percentage} \]

- **Beef**
  - Average rate of return: 4.0%

\(^a\) Including capital appreciation.
Beef farming returns are linked to size

Average rates of return to farming over last 5 years a

- Beef: 4.0%
- Small (<$500k sales): 2.6%
- Medium ($500k-$1m sales): 4.6%
- Large ($1m-$5m sales): 5.6%
- Very large (>($5m sales): 9.2%

a Including capital appreciation.
World economic growth likely to slow somewhat

Emerging and developing economies

- Advanced economies
- Emerging and developing Asia
- Latin America
- Eastern Europe, Russian Federation and Ukraine
- Middle East and North Africa
- World

2018
2019a
2020a
2021–24a

% 7
6
5
4
3
2
1
0

a Assumption.
But outlook for our major markets is more positive

GDP per person, annual average growth, 2019 to 2024

<table>
<thead>
<tr>
<th>Market</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>6%</td>
</tr>
<tr>
<td>China</td>
<td>5%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>4%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>4%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>3%</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>2%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>1%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>1%</td>
</tr>
<tr>
<td>United States</td>
<td>1%</td>
</tr>
<tr>
<td>Japan</td>
<td>-1%</td>
</tr>
</tbody>
</table>

World: 6%
But outlook for our major markets is more positive

GDP per person, annual average growth, 2019 to 2024 by market share

- China 24%
- Indonesia 5%
- Republic of Korea 6%
- New Zealand 3%
- Japan 10%
- India 3%
- Vietnam 3%
- Malaysia 2%
- United States 8%

$33 billion in trade 2017–18
China’s agricultural evolution will be important

EU & Japan dominate as agricultural export destinations

Japan reaches a peak 27% export destination share

China becomes top agricultural export destination

China has a historically similar share as Japan at its peak

Export share


China
Japan
“China will keep deepening supply-side structural reform”

Xi Jinping Chinese President
July 2017
What does it mean for Australia?

Refining food safety
⇒ Australian meat already safe, can broadly comply

Ambitious dairy product production goal
⇒ Stronger powder demand

Improved domestic grain availability
⇒ Challenges demand for Australian grain
Crop prices will remain low, risks to upside

- Forecast.
- Projection.

**Graph Description:**
- The graph illustrates the price trends for Canola, Sugar (right axis), Wheat, Barley, and Corn from 2000 to the projected year 2023.
- The x-axis represents the years from 2000 to 2023, while the y-axis shows the price in US$/t for the years 2018-19.
- The graph includes price data for each year from 2000 to 2023, with the last year being projected.
- Notations for forecasting and projection are indicated in the graph.

**Legend:**
- Canola
- Sugar (right axis)
- Wheat
- Barley
- Corn
Livestock and products outlook is mixed

- Lamb
- Beef
- Pigs

- Wool
- Milk

f Forecast. z Projection.
Cattle herd projected to grow

- Closing herd
- Model median projection
- 95% confidence bands
- Beef saleyard price (right axis)

Forecast. 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