



Australian Government

Department of Agriculture, Water and the Environment  
ABARES



2020  
**OUTLOOK**  
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# Australian agricultural outlook

## Outlook to 2024-25

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Australian Bureau of Agricultural  
and Resource Economics and Sciences

3 - 4 March 2020

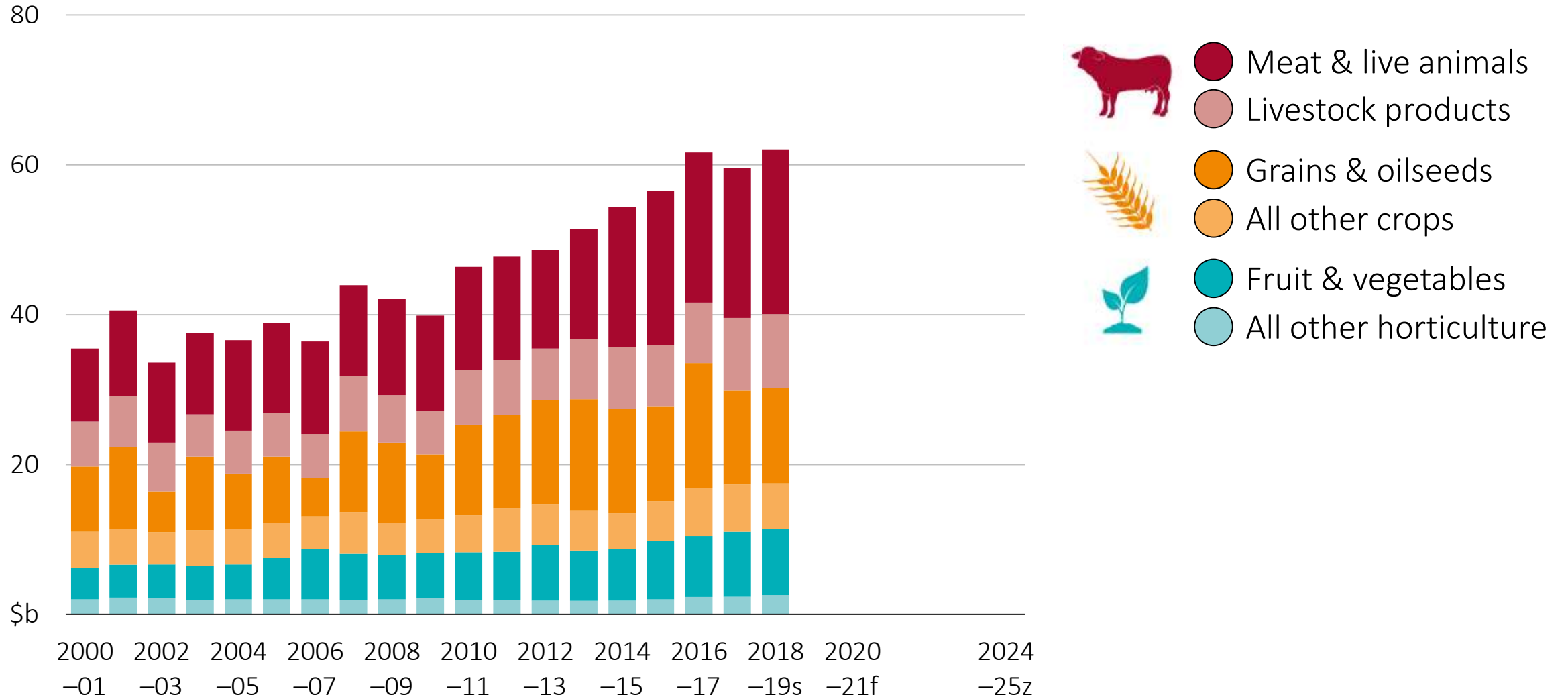


Research by the  
Australian Bureau of Agricultural and Resource Economics and Sciences

## Outline

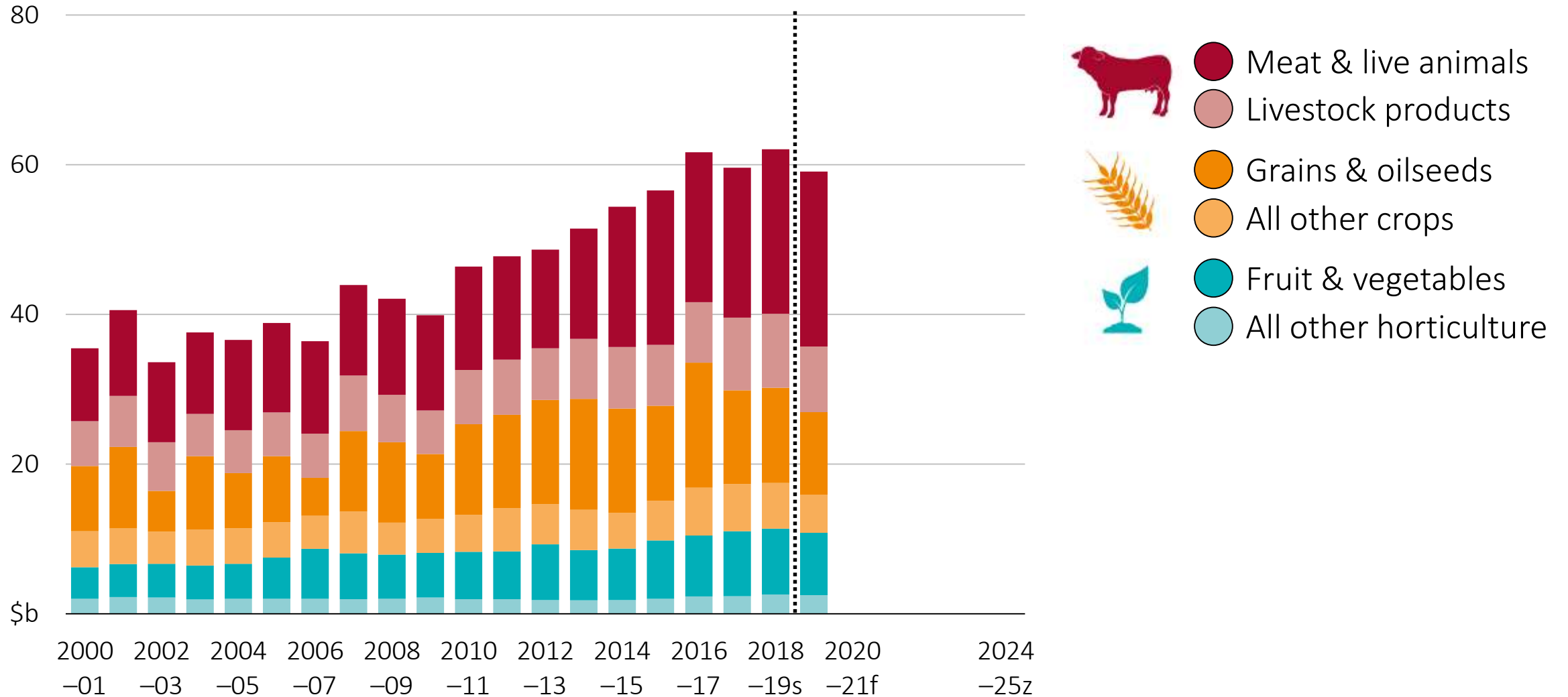
- Production & export performance
- Farm incomes
- Commodity outlook

# Value of farm production: performance to date



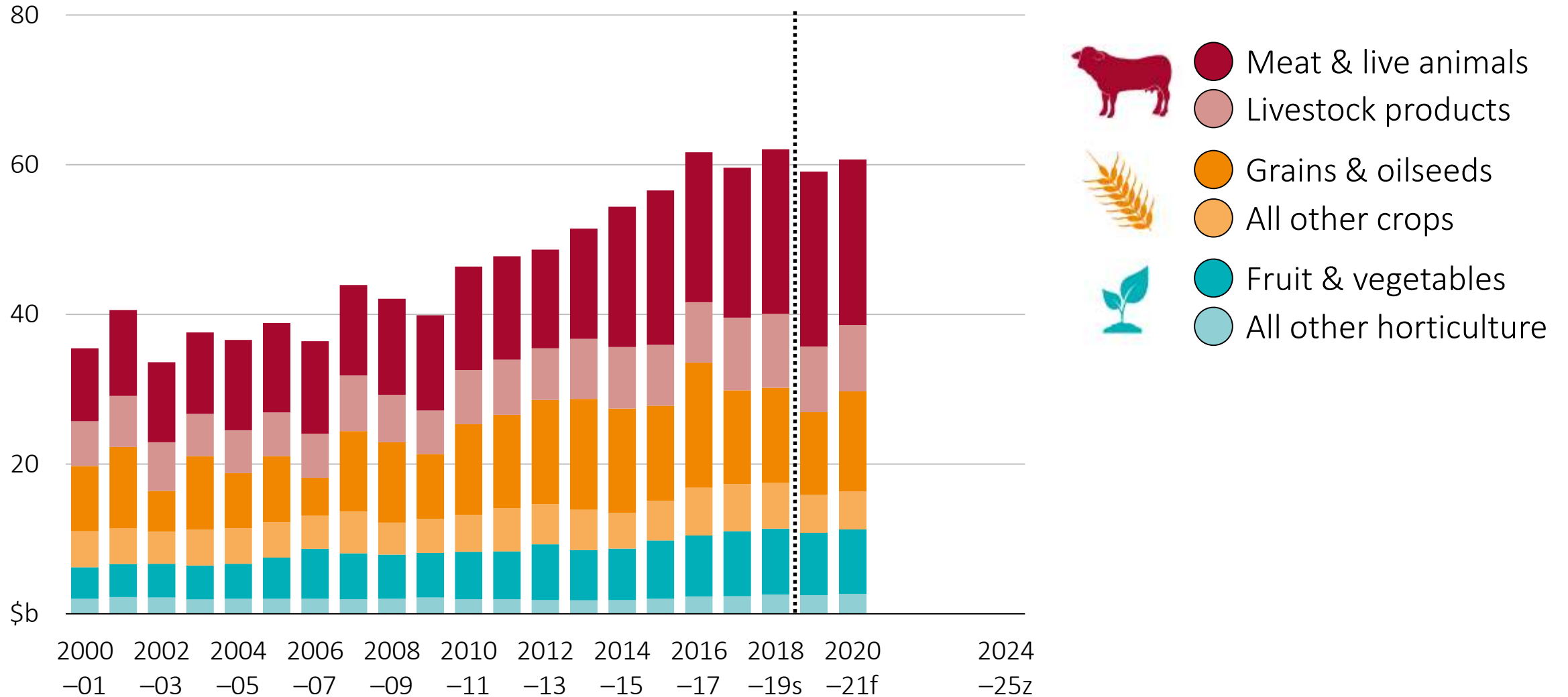
s Estimate. f Forecast. z Projection.

# Value of farm production: short term forecast



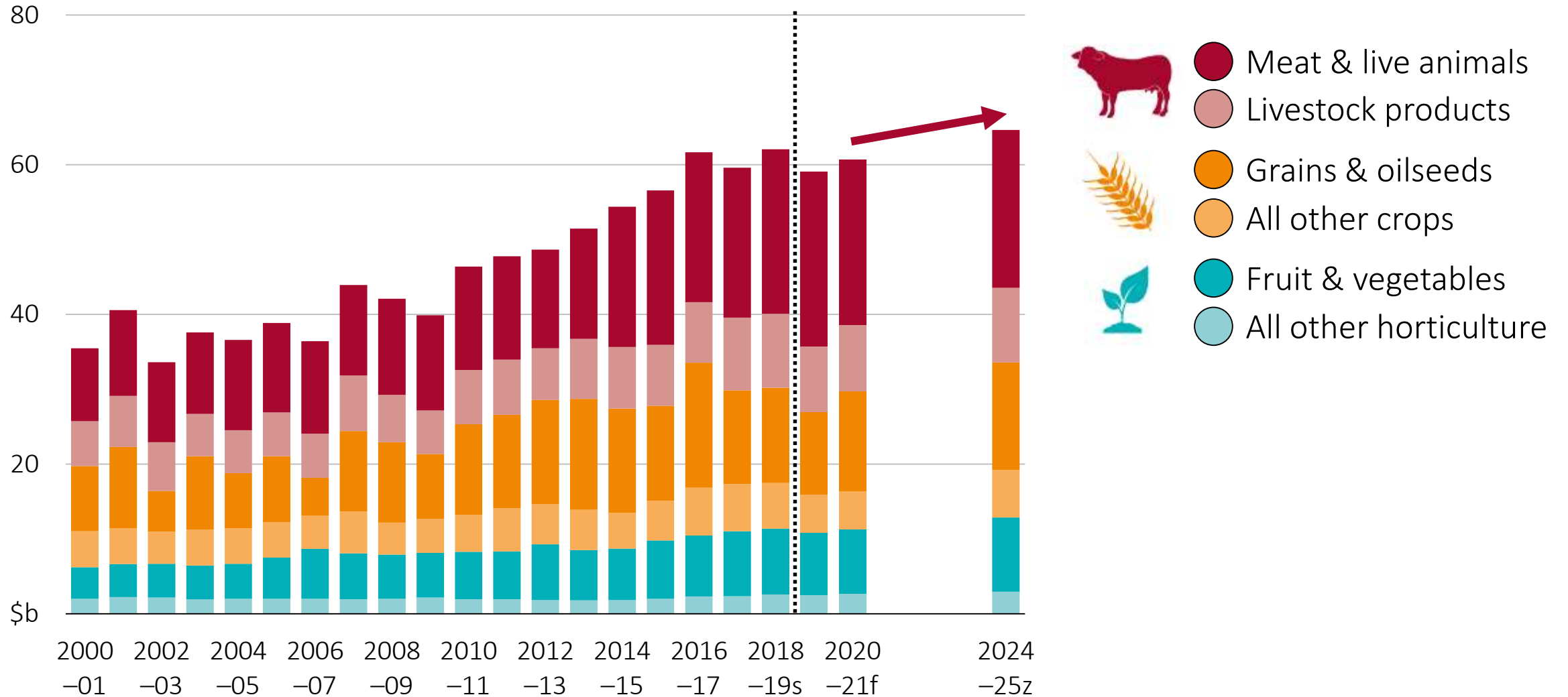
s Estimate. f Forecast. z Projection.

# Value of farm production: short term forecast



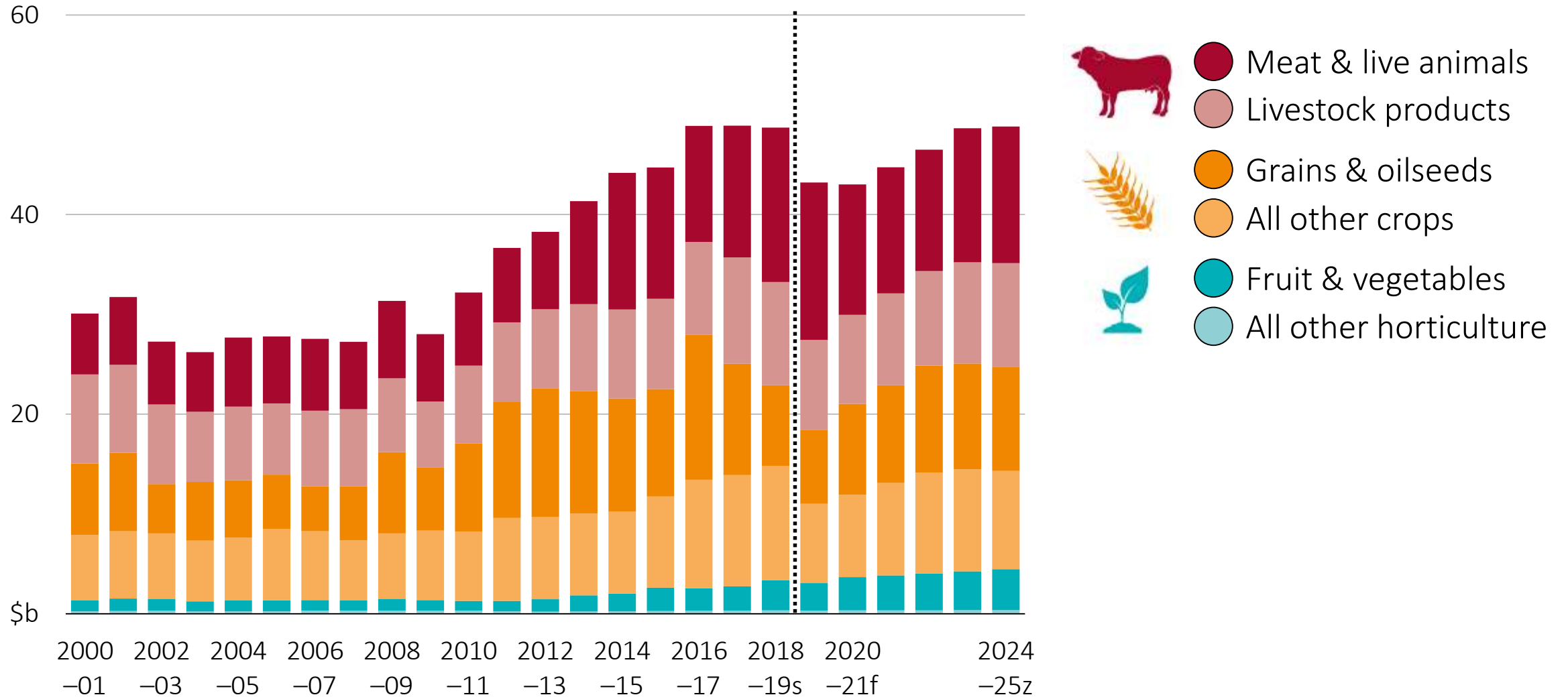
s Estimate. f Forecast. z Projection.

# Value of farm production: medium term forecast



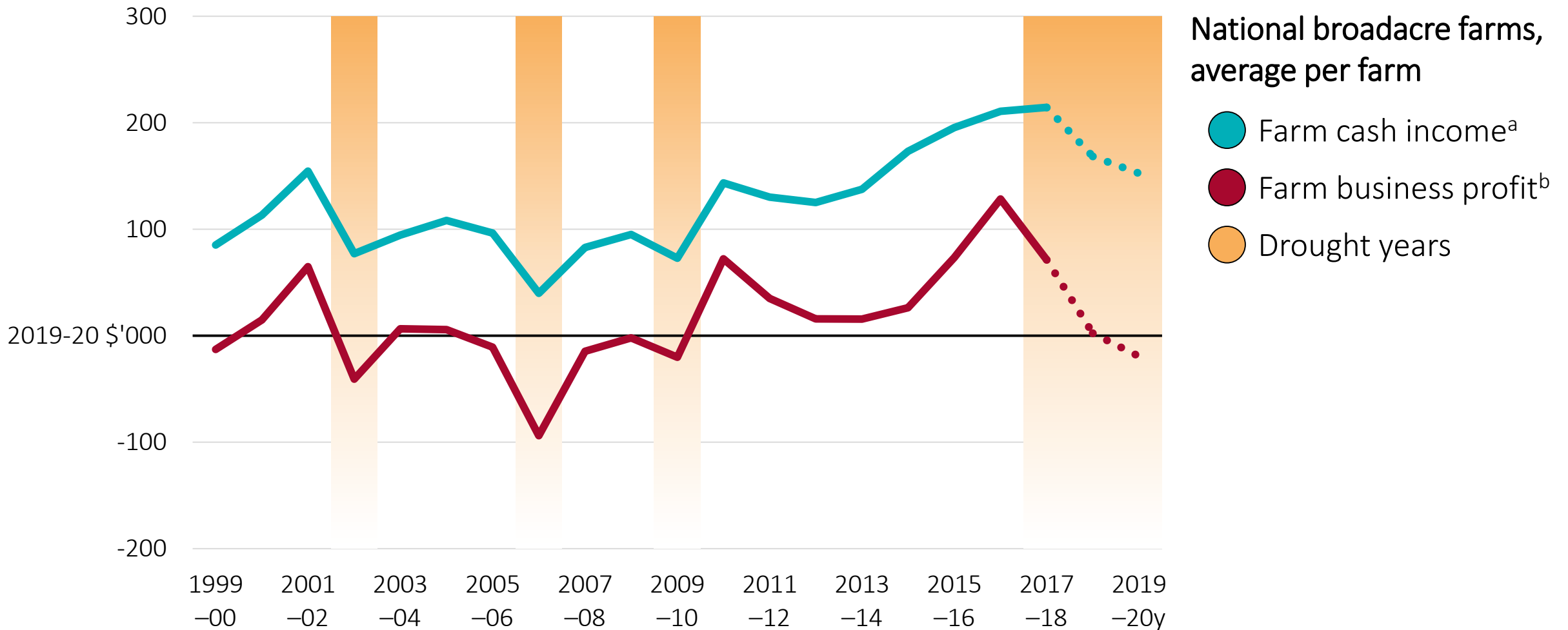
s Estimate. f Forecast. z Projection.

# Sharp fall in exports, slow recovery ahead



s Estimate. f Forecast. z Projection.

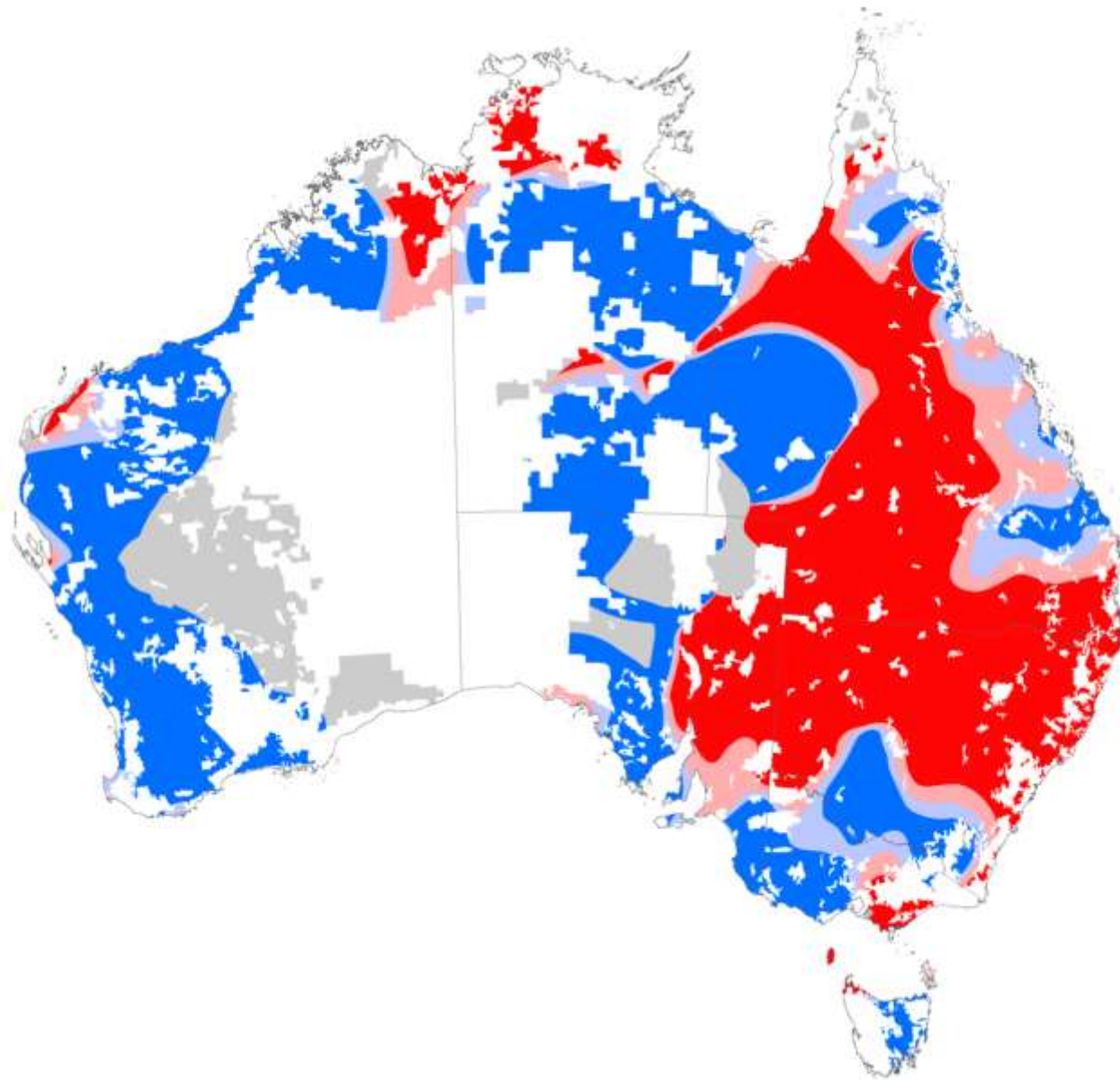
# Drought induced de-stocking has limited cash income falls, but business profits are well down









a Farm cash income=total cash receipts less total cash costs. b Farm business profit=farm cash income adjusted for the value of family labour input, capital depreciation, and the change in inventories (livestock numbers and crops on hand) y Projection.



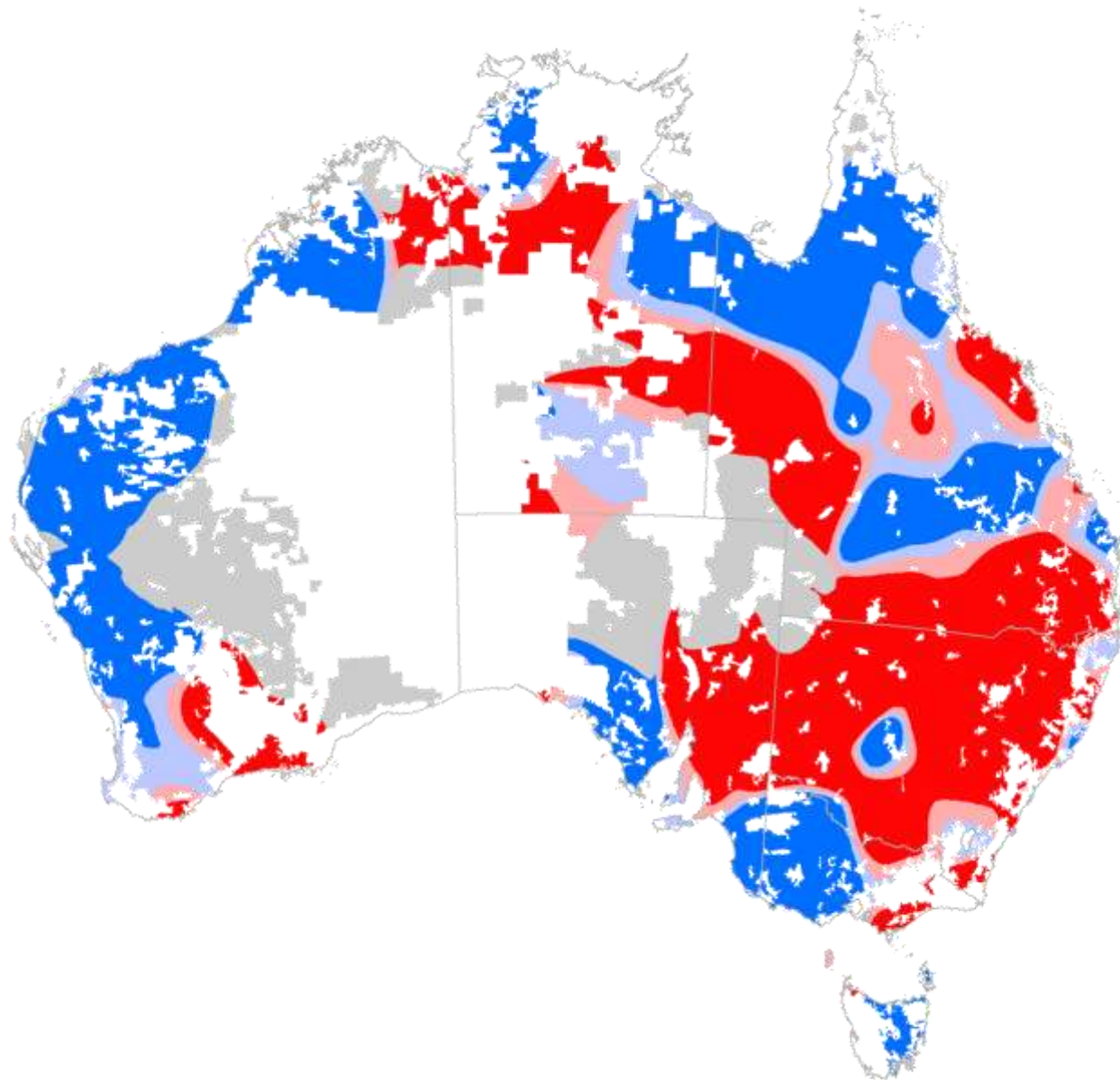
# Regional drought effects were strong in 2018-19









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

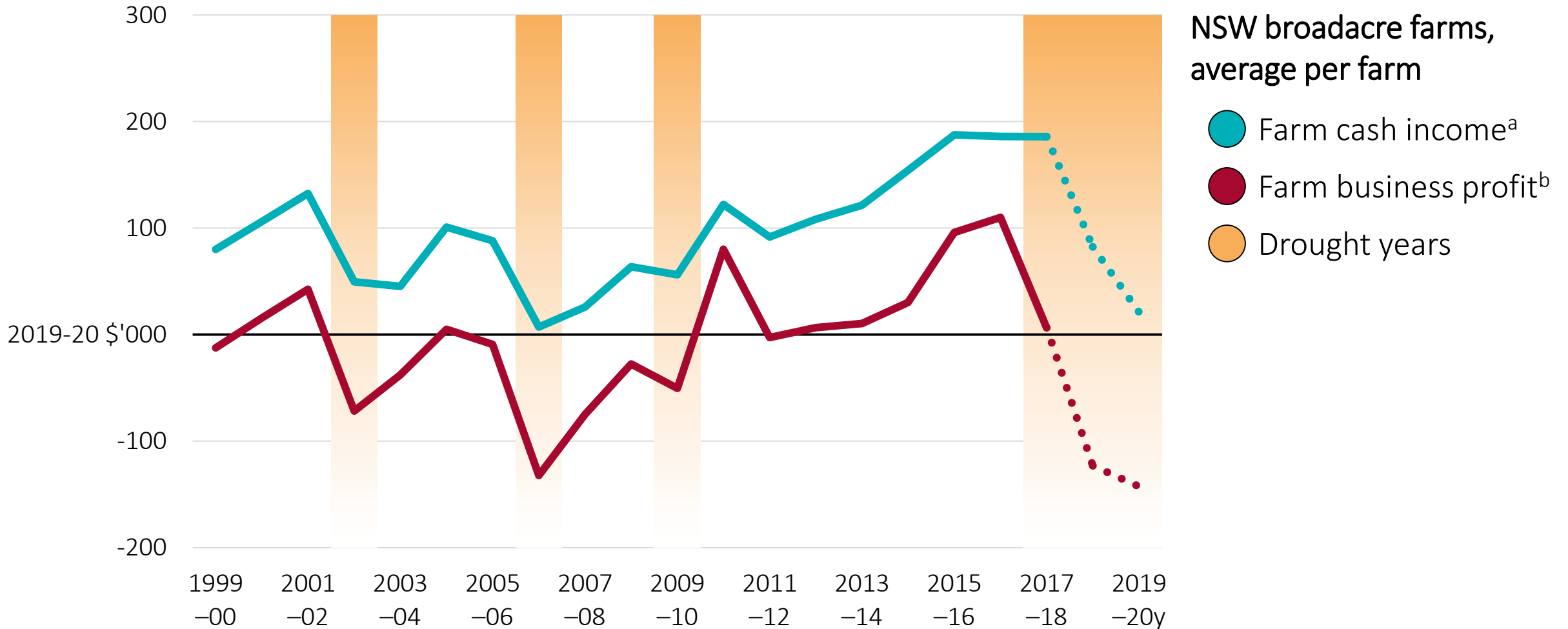
# ... worsening in some regions in 2019-20



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

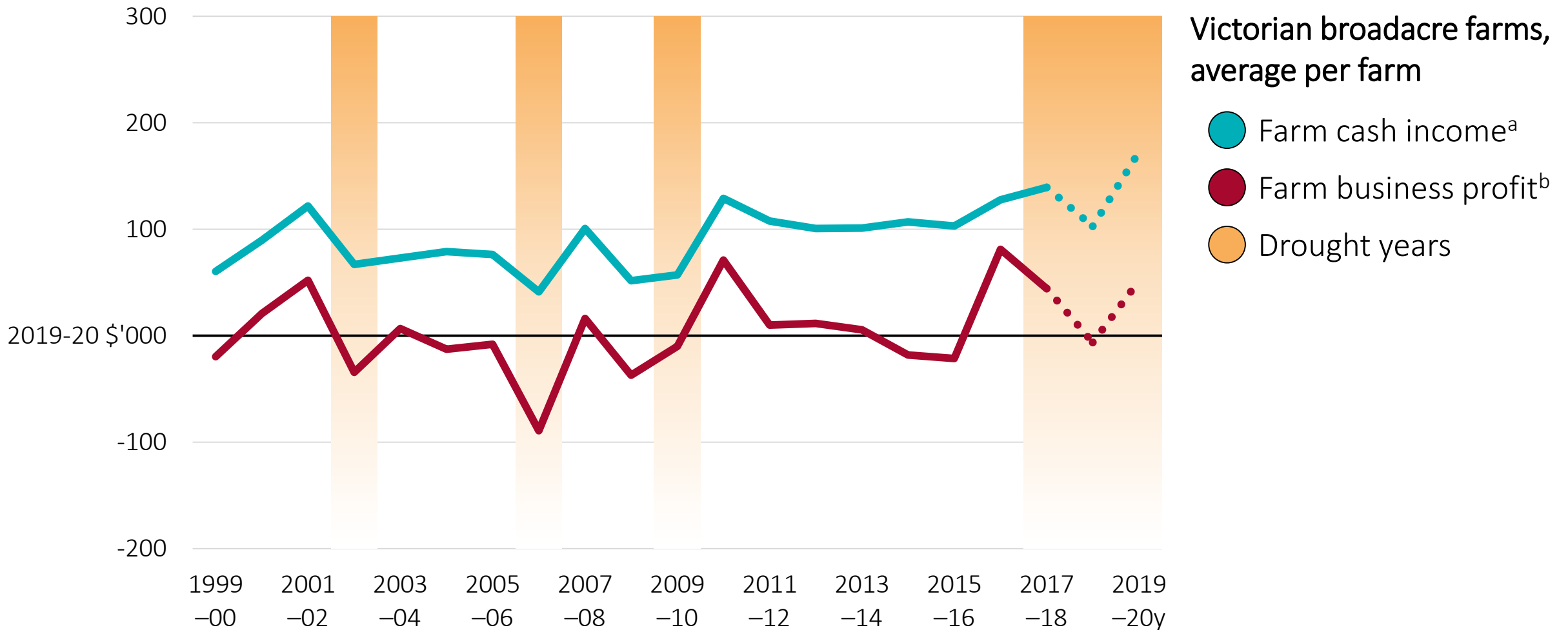
-  >25% below average
-  0-25% below average
-  0-25% above average
-  >25% above average
-  Insufficient data
-  Non-agricultural land

# In New South Wales broadacre farm profitability is at record low levels...



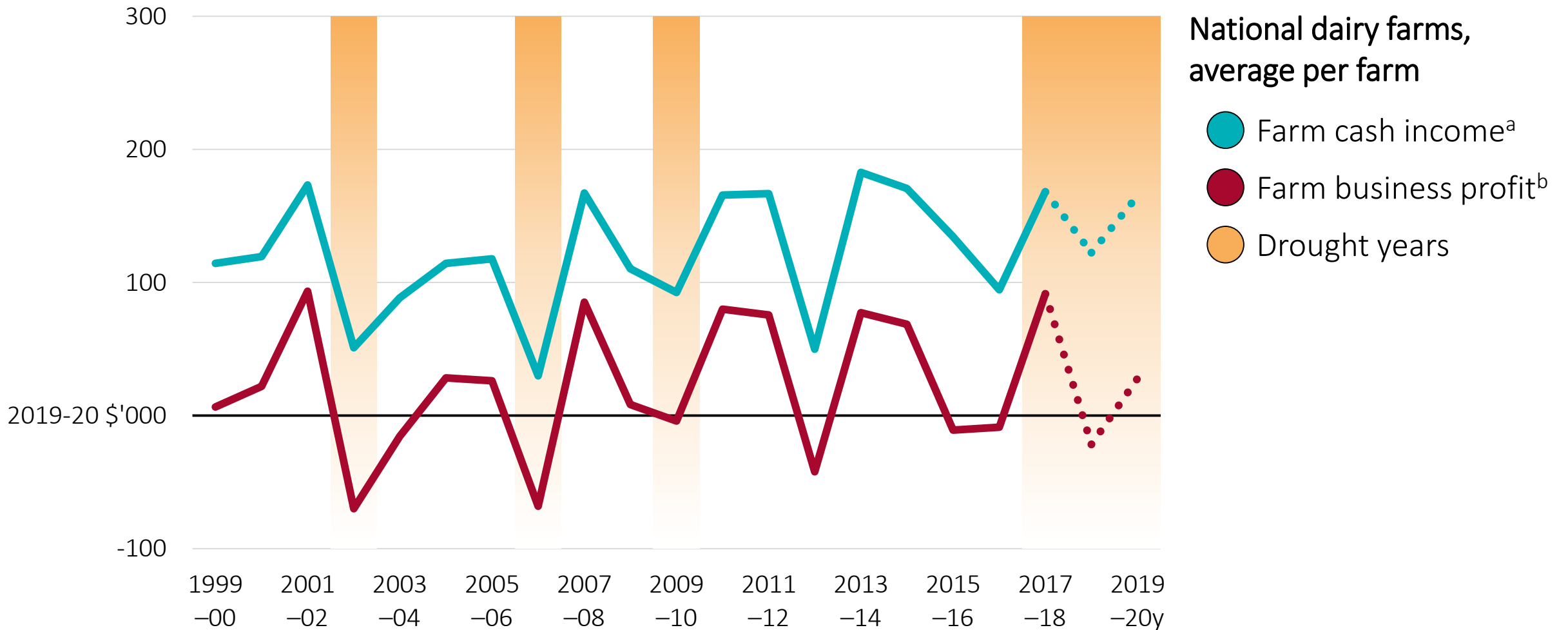
<sup>a</sup> Farm cash income=total cash receipts less total cash costs. <sup>b</sup> Farm business profit=farm cash income adjusted for the value of family labour input, capital depreciation, and the change in inventories (livestock numbers and crops on hand) y Projection.

# ... but in Victoria, timely rainfall has helped farm incomes recover in 2019-20



<sup>a</sup> Farm cash income=total cash receipts less total cash costs. <sup>b</sup> Farm business profit=farm cash income adjusted for the value of family labour input, capital depreciation, and the change in inventories (livestock numbers and crops on hand) y Projection.

# Dairy farm incomes in 2019-20 are still affected by drought, but farm gate milk prices are higher

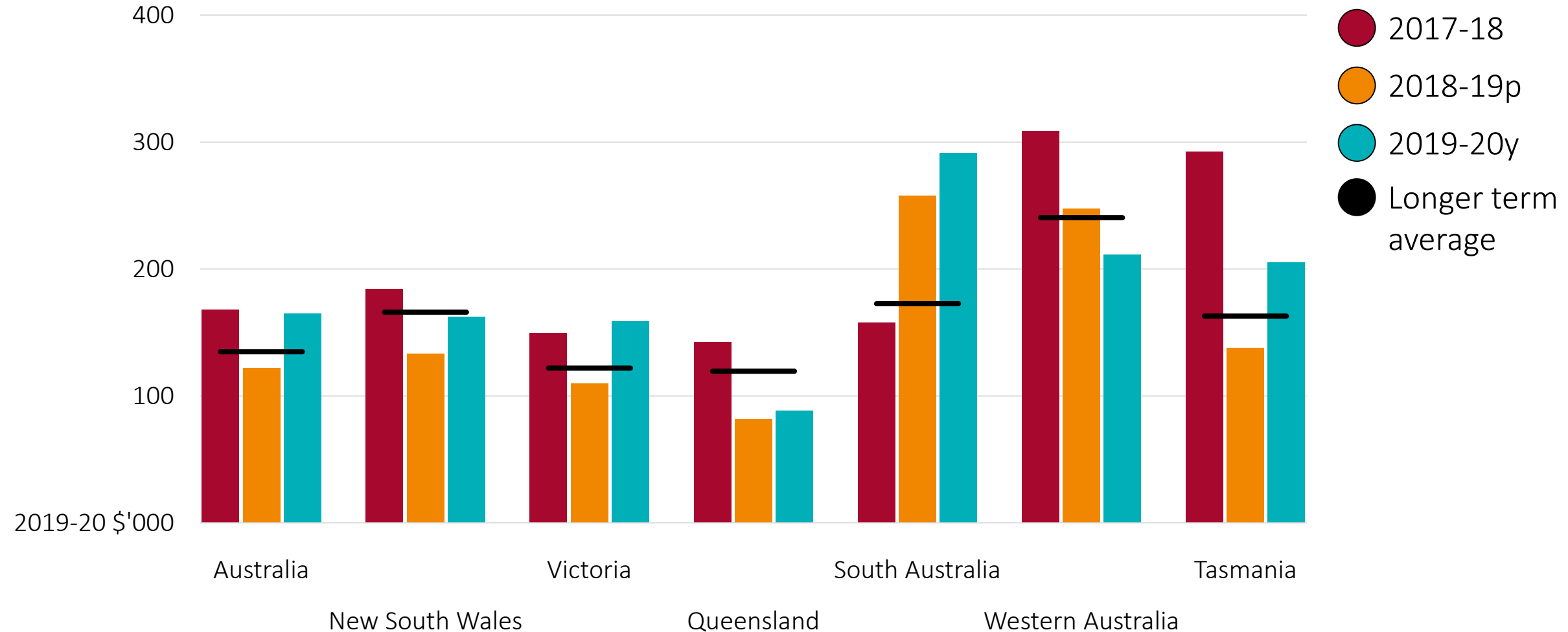


<sup>a</sup> Farm cash income=total cash receipts less total cash costs. <sup>b</sup> Farm business profit=farm cash income adjusted for the value of family labour input, capital depreciation, and the change in inventories (livestock numbers and crops on hand) y Projection.

# The recovery in dairy farm incomes varies by state



## Dairy farm cash incomes

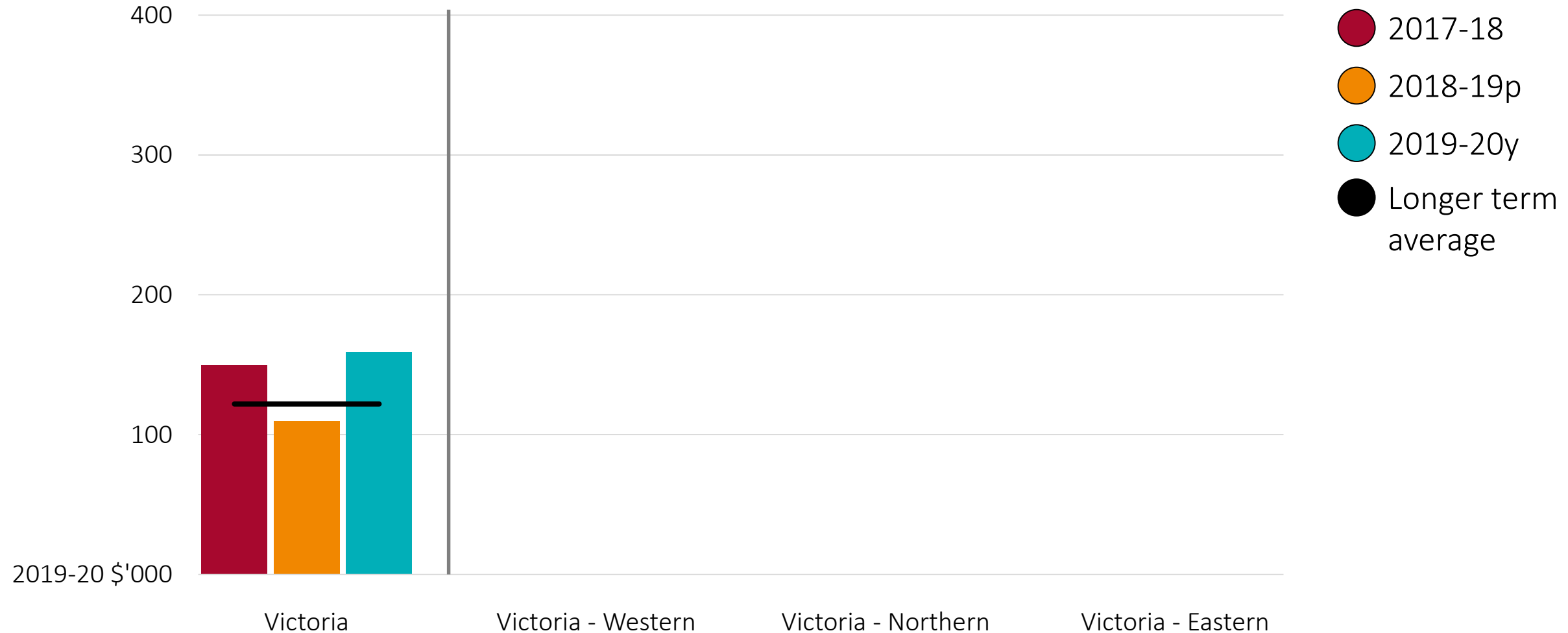


p Preliminary estimate. y Provisional estimate.

# The recovery in dairy farm incomes within Victoria



## Victorian dairy farm cash incomes

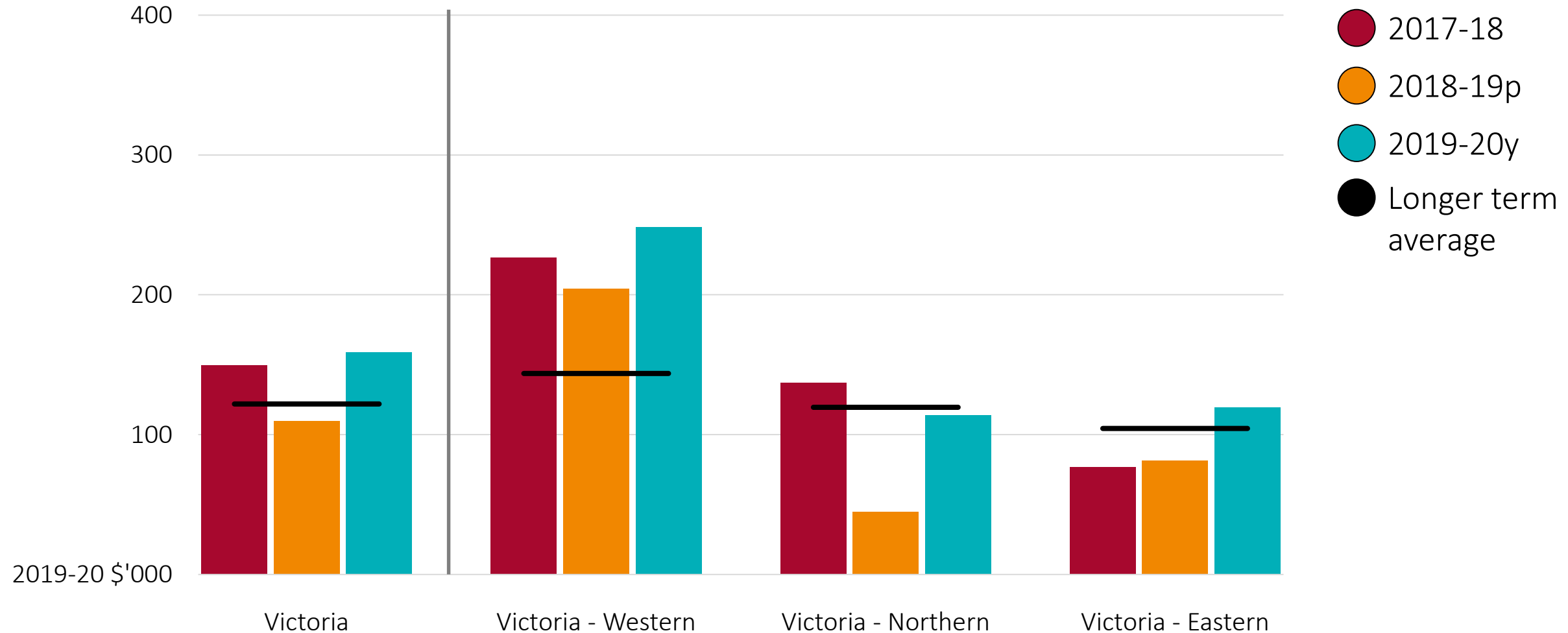


**p** Preliminary estimate. **y** Provisional estimate.

# The recovery in dairy farm incomes within Victoria



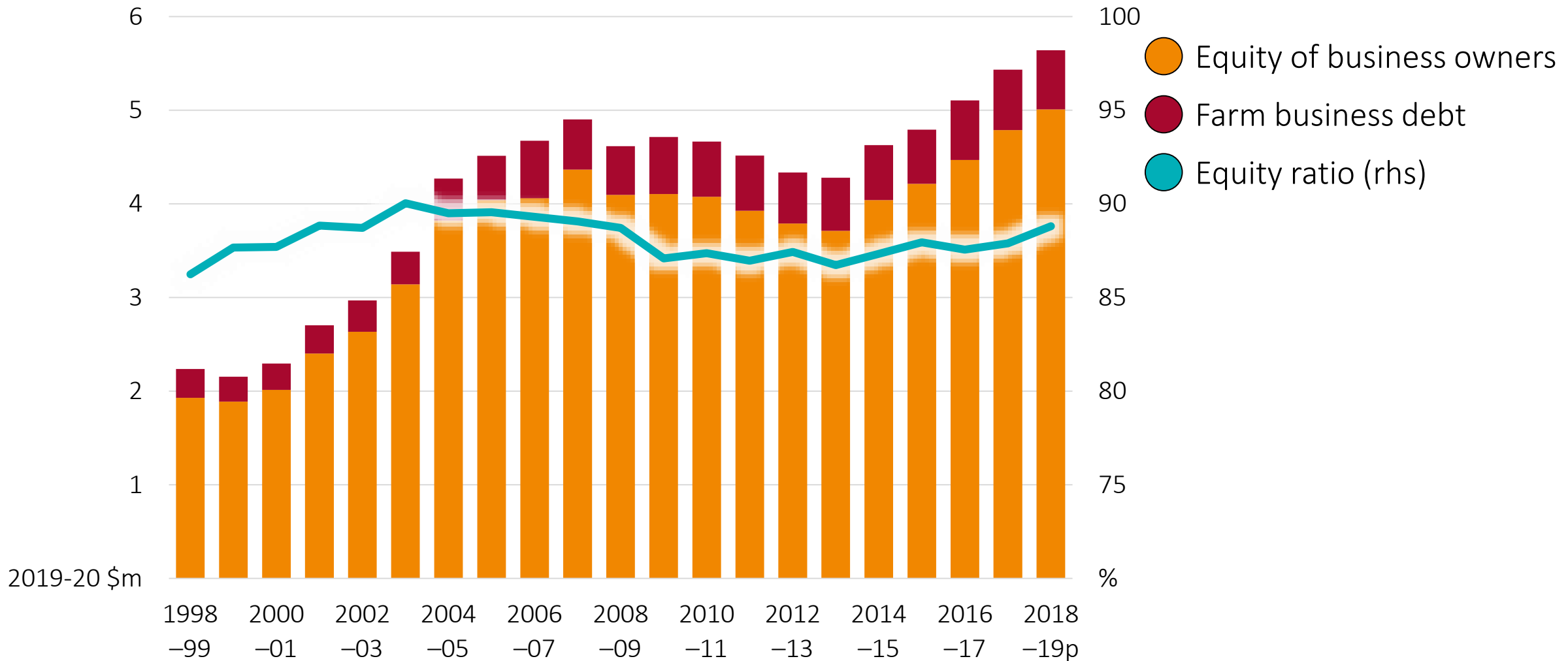
## Victorian dairy farm cash incomes



**p** Preliminary estimate. **y** Provisional estimate.

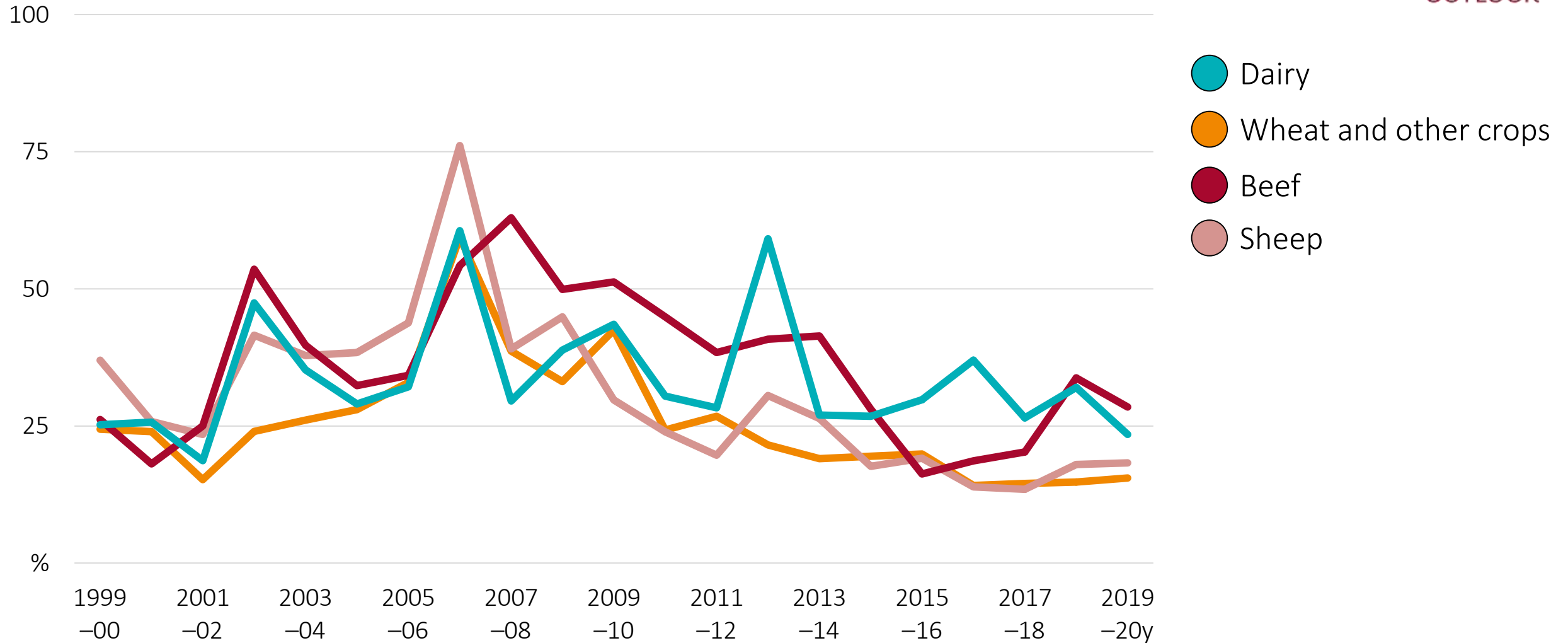


# Prospects for recovery – equity in broadacre farms remains strong ...



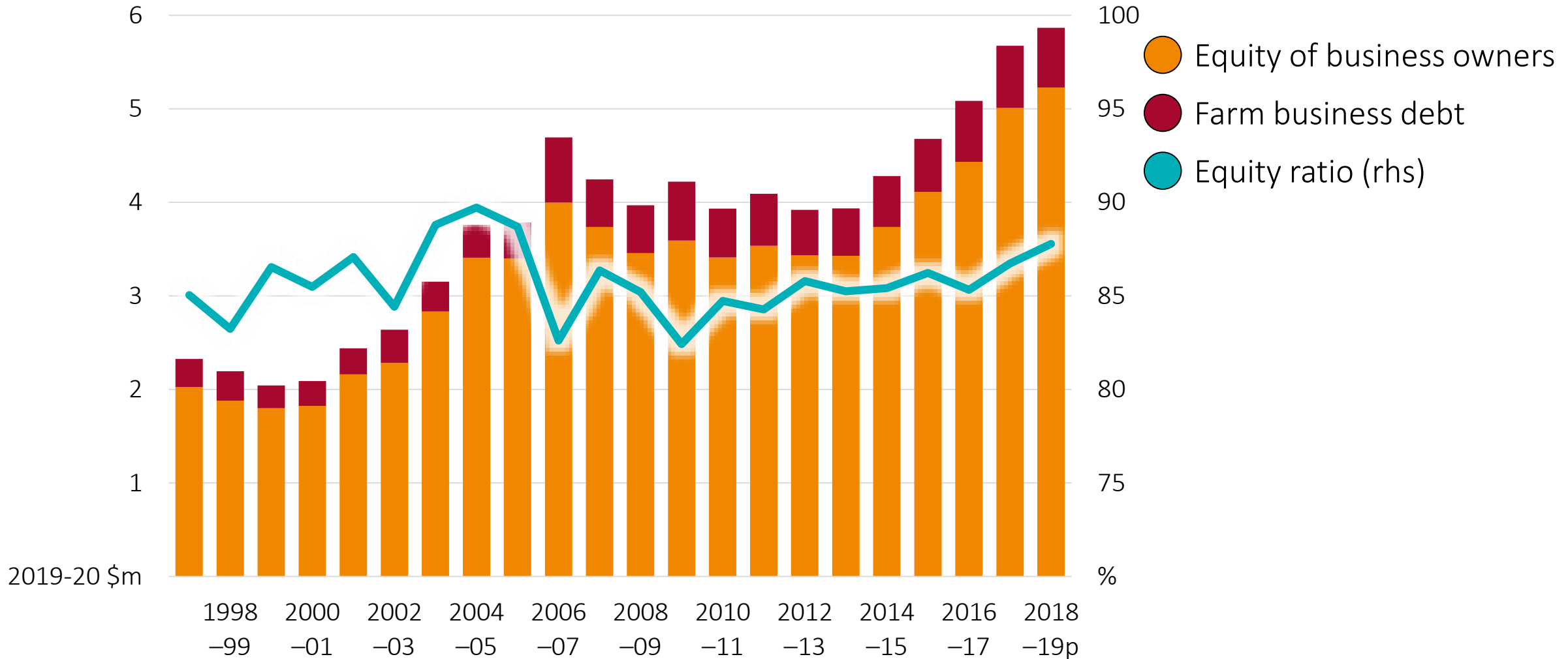
p Preliminary estimate.

# ... and comparatively low debt servicing ratios<sup>a</sup>



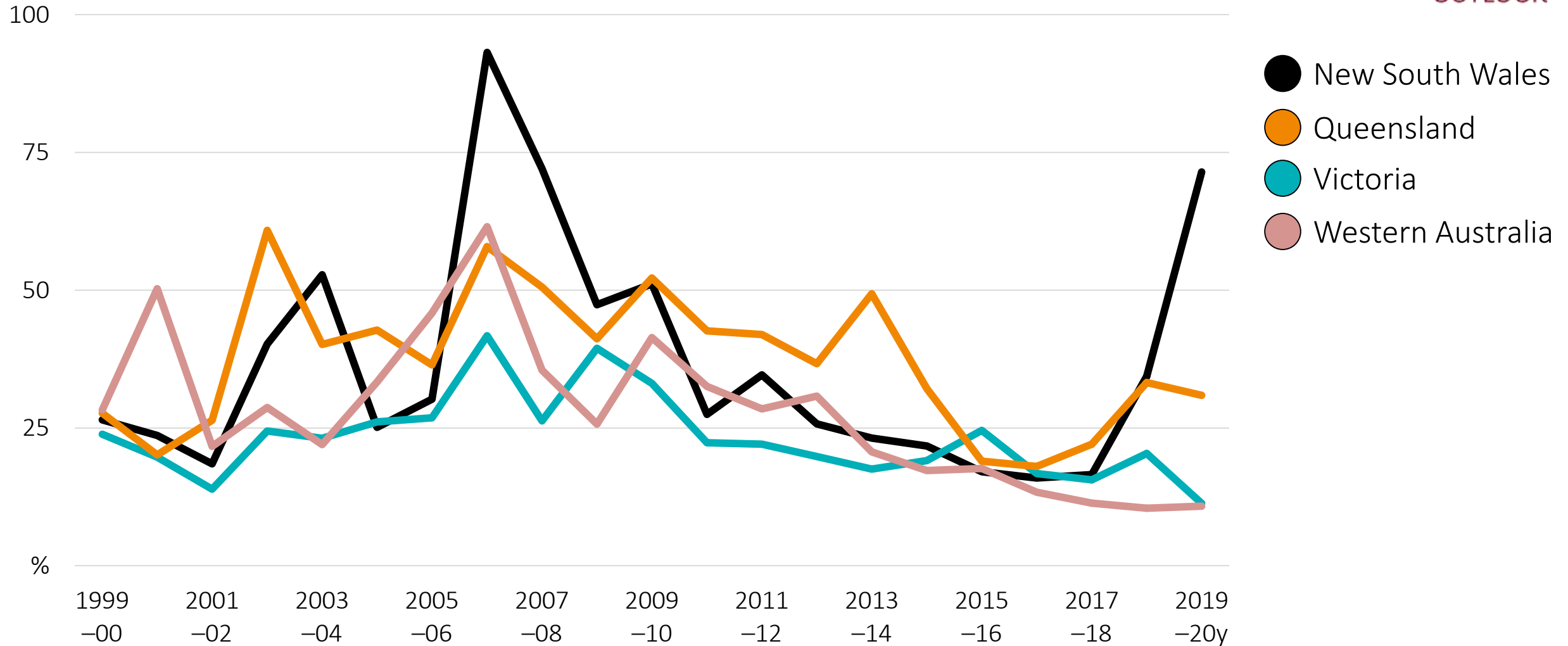
<sup>y</sup> Provisional estimate.    <sup>a</sup> Share of net farm cash income required to make interest payments on debt.

# In New South Wales strong growth in land values has kept equity ratios high ...



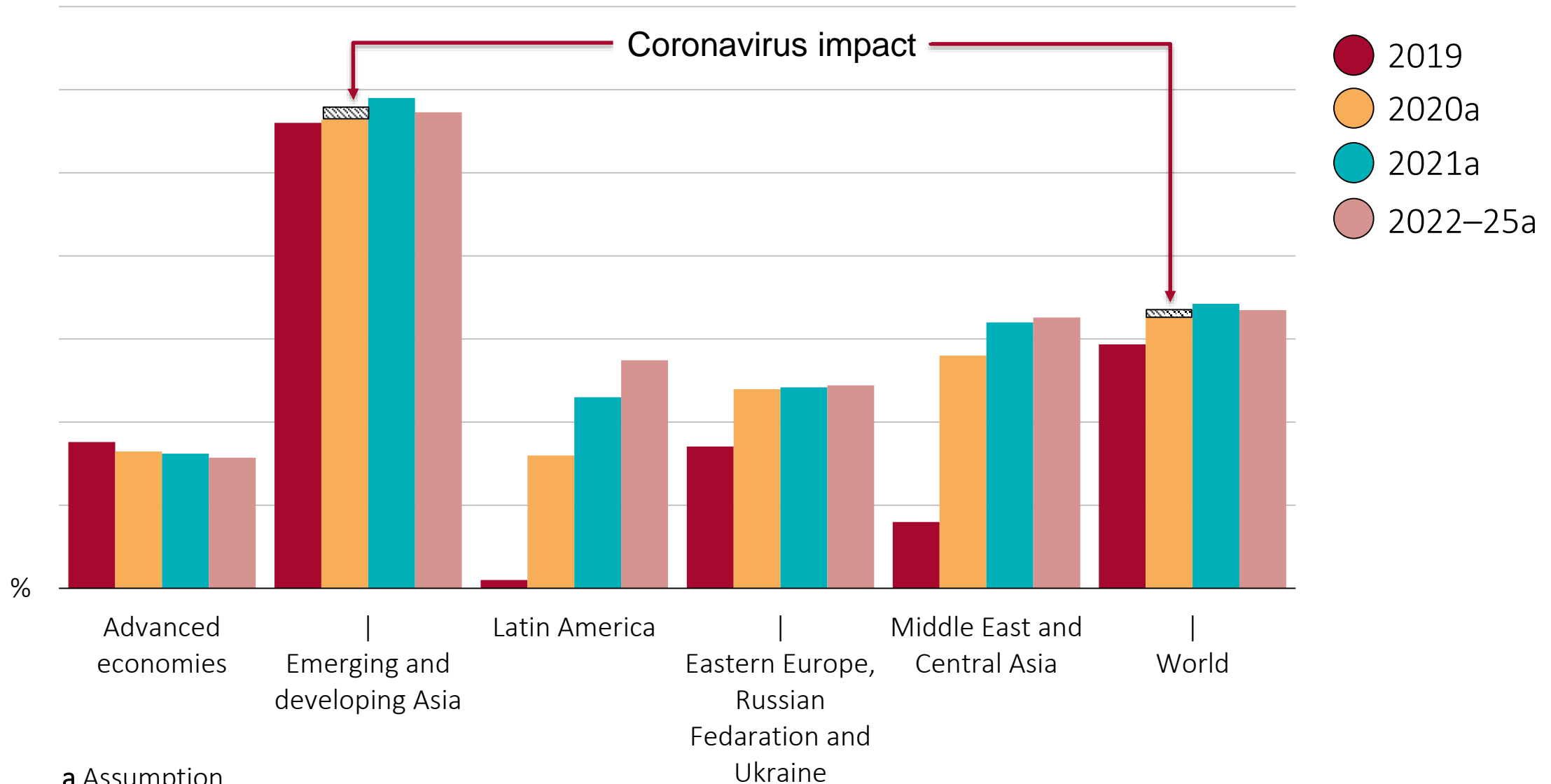
p Preliminary estimate.

# ... although debt servicing<sup>a</sup> is up substantially



<sup>y</sup> Provisional estimate.    <sup>a</sup> Share of net farm cash income required to make interest payments on debt.

# World economic growth likely to slow somewhat



# Two big risks out of China

## Coronavirus

Short term impact significant

Drag on economic growth

Response duration uncertain

Long-term effects small

## African Swine Fever

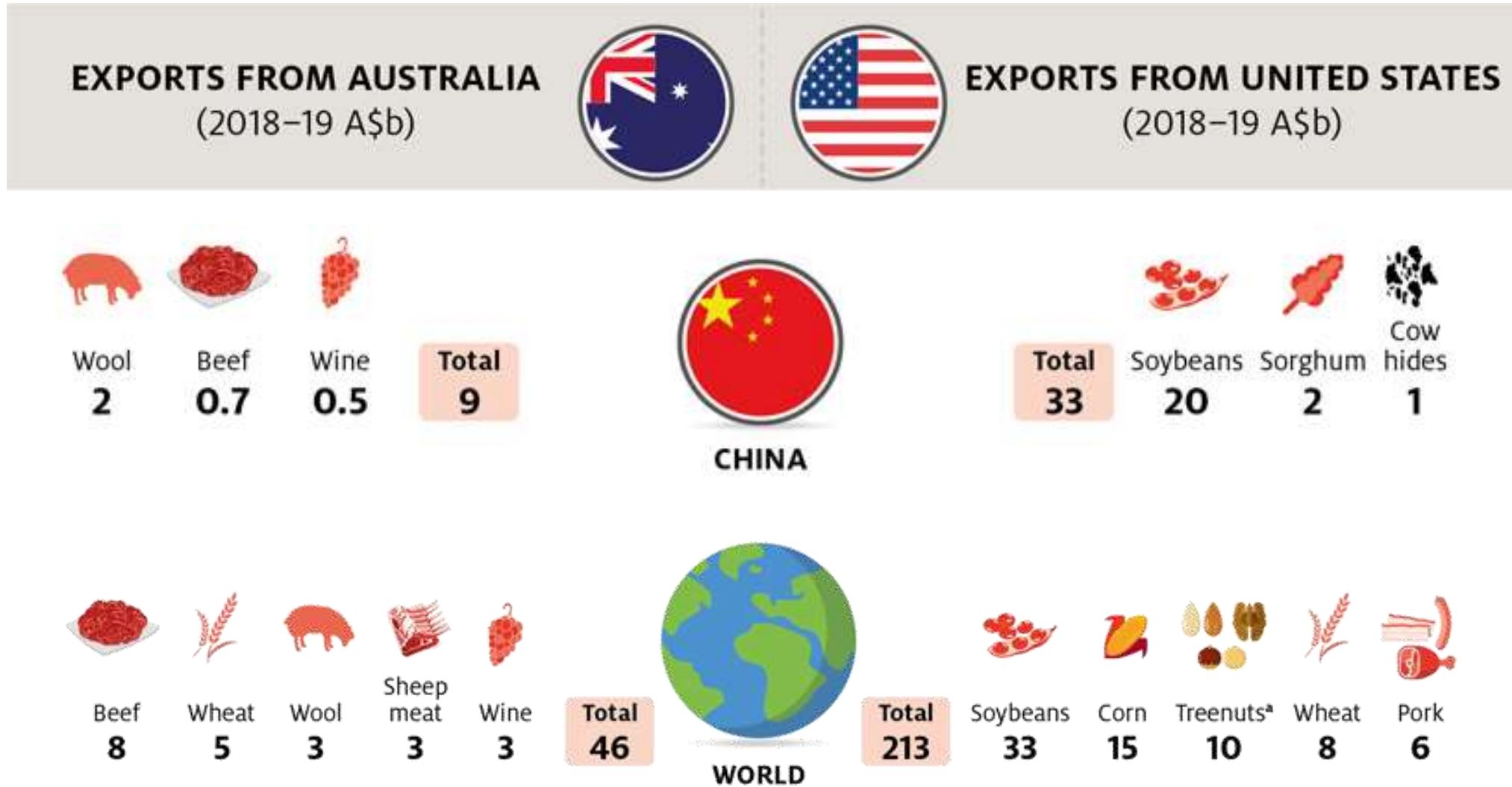
Medium term impact large

Boost to protein markets

Drag on feed grains

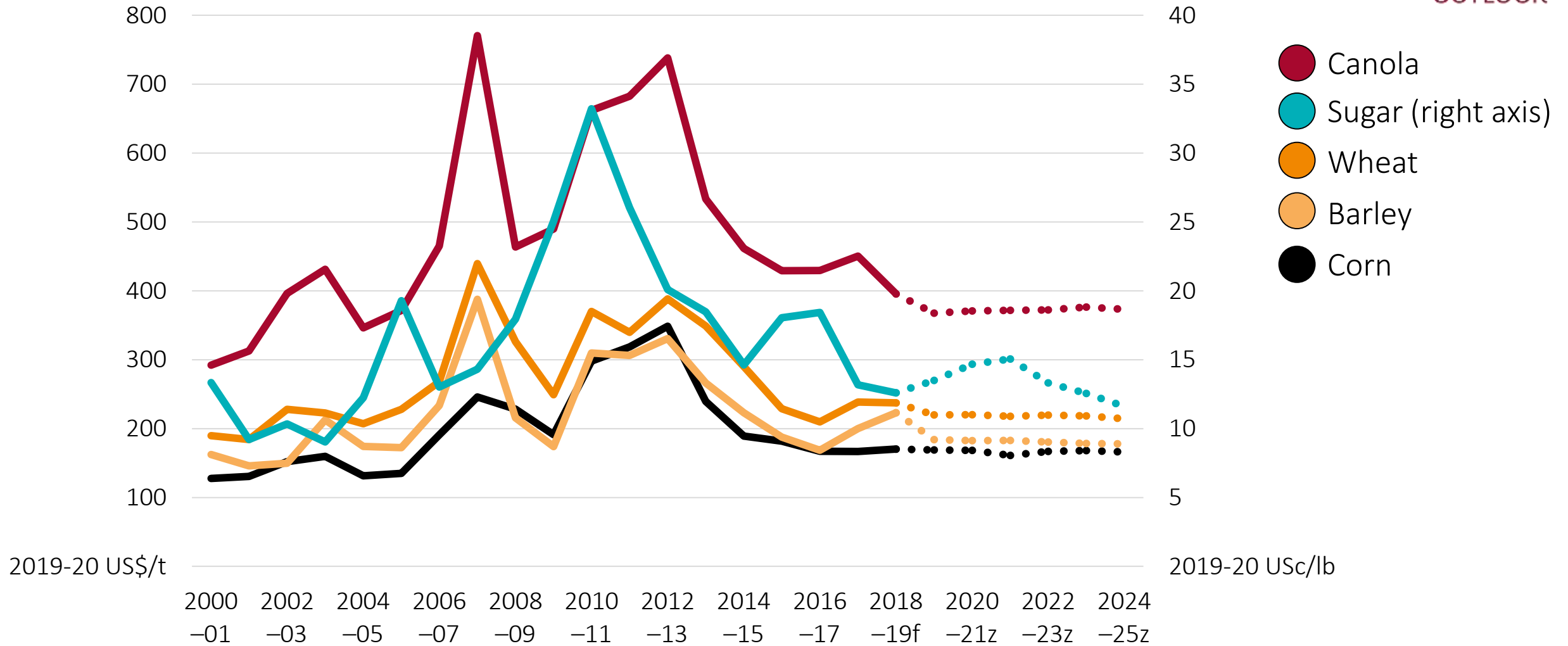
Duration of effects uncertain

# The US-China trade deal – potential disruption



Source: ABARES Insights: United States and Australian agriculture—a comparison

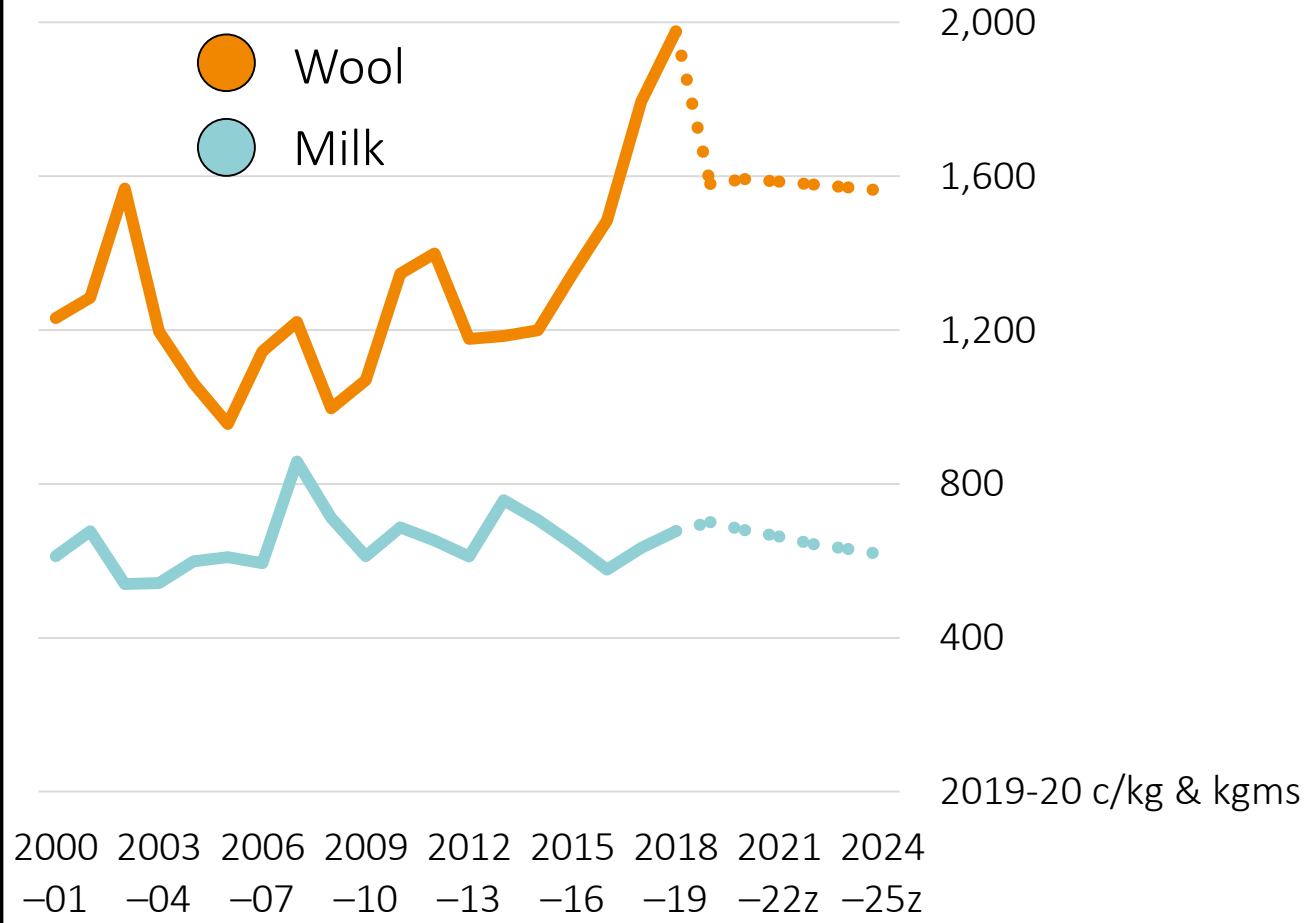
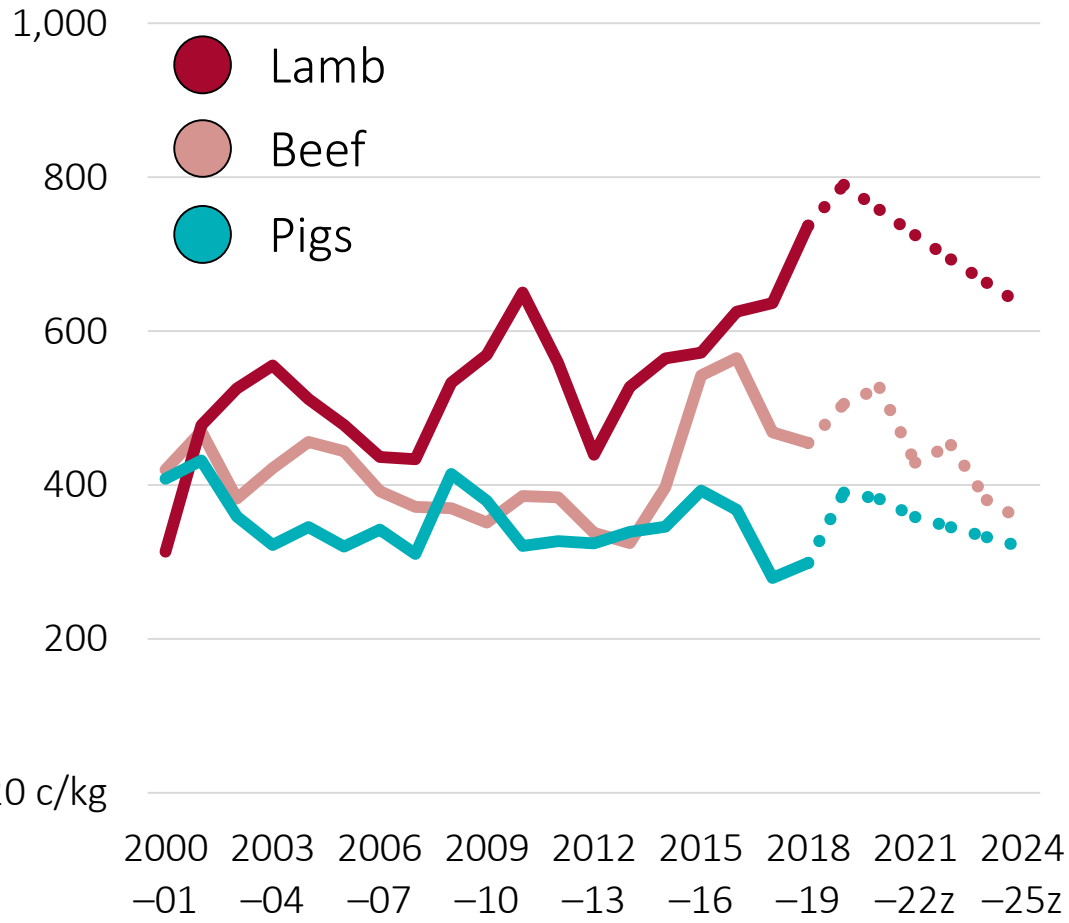
# Crop prices will remain low, risks to upside



f Forecast. z Projection.



# Livestock and products outlook is mixed



f Forecast. z Projection.

## Summary

- Drought impacts linger
- In a good position to recover ... some will find it difficult
- Demand growth strong
- Price growth won't be what it has been



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