Australian agricultural outlook

Outlook to 2024-25

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Outline

• Production & export performance
• Farm incomes
• Commodity outlook
Value of farm production: performance to date

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

Value of farm production: short term forecast

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

$b$ Estimate. $f$ Forecast. $z$ Projection.
Value of farm production: short term forecast

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

s Estimate. f Forecast. z Projection.
Value of farm production: medium term forecast

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

$s$ Estimate. $f$ Forecast. $z$ Projection.
Sharp fall in exports, slow recovery ahead

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

s Estimate. f Forecast. z Projection.
Drought induced de-stocking has limited cash income falls, but business profits are well down

- Farm cash income = total cash receipts less total cash costs.
- 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).

Projection.
Regional drought effects were strong in 2018-19

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
- Blue: >25% above average
- Gray: Insufficient data
- Non-agricultural land

OUTLOOK 2020
... worsening in some regions in 2019-20

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
- Non-agricultural land

OUTLOOK 2020
In New South Wales broadacre farm profitability is at record low levels...

![Graph showing farm cash income and farm business profit from 1999-20y](attachment:image.png)

- **Farm cash income** = total cash receipts less total cash costs.
- **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).

**NSW broadacre farms, average per farm**
- Farm cash income
- Farm business profit
- Drought years

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

[Chart showing Farm cash income, Farm business profit, and Drought years for Victorian broadacre farms, average per farm from 1999-00 to 2019-20.]

### Victorian broadacre farms, average per farm

- **Farm cash income**: $'000
- **Farm business profit**: $'000
- **Drought years**: shaded orange bars

## Notes

- Farm cash income = total cash receipts less total cash costs.
- 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).
- Projection

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

National dairy farms, average per farm

- Farm cash income\(^a\)
- Farm business profit\(^b\)
- Drought years

\(a\) 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.
The recovery in dairy farm incomes varies by state.

Dairy farm cash incomes

- Australia
- New South Wales
- Victoria
- Queensland
- South Australia
- Western Australia
- Tasmania

2019-20 $'000

- 100
- 200
- 300
- 400

Longer term average

2017-18
2018-19p
2019-20y

p Preliminary estimate. y Provisional estimate.
The recovery in dairy farm incomes within Victoria

Victorian dairy farm cash incomes

- Victoria
- Victoria - Western
- Victoria - Northern
- Victoria - Eastern

2019-20 $'000

- Preliminary estimate.
- Provisional estimate.

2017-18
2018-19p
2019-20y
Longer term average

(p) Preliminary estimate. (y) Provisional estimate.
The recovery in dairy farm incomes within Victoria

Victorian dairy farm cash incomes

- Victoria
- Victoria - Western
- Victoria - Northern
- Victoria - Eastern

- 2017-18
- 2018-19p
- 2019-20y
- Longer term average

p Preliminary estimate. y Provisional estimate.
Prospects for recovery – equity in broadacre farms remains strong ...

![Chart showing equity of business owners, farm business debt, and equity ratio over time.]

P Preliminary estimate.
... and comparatively low debt servicing ratios\textsuperscript{a}

\textsuperscript{a} Share of net farm cash income required to make interest payments on debt.

\textsuperscript{y} Provisional estimate.
In New South Wales strong growth in land values has kept equity ratios high …

- Equity of business owners
- Farm business debt
- Equity ratio (rhs)

p Preliminary estimate.
... although debt servicing\(^a\) is up substantially

\(^a\) Share of net farm cash income required to make interest payments on debt.

Provisional estimate.
World economic growth likely to slow somewhat

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

Coronavirus impact

Assumption.
## Two big risks out of China

<table>
<thead>
<tr>
<th><strong>Coronavirus</strong></th>
<th><strong>African Swine Fever</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Short term impact significant</td>
<td>Medium term impact large</td>
</tr>
<tr>
<td>Drag on economic growth</td>
<td>Boost to protein markets</td>
</tr>
<tr>
<td>Response duration uncertain</td>
<td>Drag on feed grains</td>
</tr>
<tr>
<td>Long-term effects small</td>
<td>Duration of effects uncertain</td>
</tr>
</tbody>
</table>
The US-China trade deal – potential disruption

**EXPORTS FROM AUSTRALIA**
(2018–19 A$ b)

- Wool: 2
- Beef: 0.7
- Wine: 0.5
- Total: 9

**EXPORTS FROM UNITED STATES**
(2018–19 A$ b)

- Total: 33
- Soybeans: 20
- Sorghum: 2
- Cow hides: 1

**WORLD**

- Beef: 8
- Wheat: 5
- Wool: 3
- Sheep meat: 3
- Wine: 3
- Total: 46

- Soybeans: 33
- Corn: 15
- Treenuts*: 10
- Wheat: 8
- Pork: 6

Source: ABARES Insights: United States and Australian agriculture—a comparison
Crop prices will remain low, risks to upside

- Canola
- Sugar (right axis)
- Wheat
- Barley
- Corn

f Forecast. z Projection.
Livestock and products outlook is mixed

- Lamb
- Beef
- Pigs
- Wool
- Milk

Forecast: f
Projection: z
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
awe.gov.au/agricultural-outlook