Commodity outlook and issues

Gippsland agriculture

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Gippsland agriculture - snapshot

Livestock & products 83%

Cattle & calves, 29%
Milk, 41%
Vegetables 13%
14% Horticulture
Broadacre & hay 3%
Wool
Sheep and lambs

$1.8b 2017-18
Outlook for key commodities

• Dairy

• Beef

• Vegetables
Dairy farm cash income

Farm cash income, dairy farms

Provisional estimates.

Source: ABARES
World dairy prices to fall, then flatten

Source: ABARES; Dairy Australia
Competition increasing in major export markets

Japanese cheese imports by origin

Source: UN Comtrade
Export prices supported by the Australian dollar

<table>
<thead>
<tr>
<th>Year</th>
<th>Export price</th>
<th>Exchange rate unchanged</th>
<th>Farmgate milk price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989-90</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1994-95</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1999-00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004-05</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009-10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014-15</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019-20f</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

f forecast.
Source: ABARES; ABS; Dairy Australia
Australian milk price to trend lower over the medium term

Source: ABARES; Dairy Australia
Drought and cow culling slowing production

Source: ABARES; ABS; Dairy Australia
Fewer cows means less manufacturing milk

Australian milk utilisation

<table>
<thead>
<tr>
<th>Year</th>
<th>Drinking milk</th>
<th>Manufacturing milk</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010–11 to 2017–18</td>
<td>74%</td>
<td>26%</td>
</tr>
<tr>
<td>2018–19f to 2019–20f</td>
<td>71%</td>
<td>29%</td>
</tr>
<tr>
<td>2023–24z</td>
<td>69%</td>
<td>31%</td>
</tr>
</tbody>
</table>

f Forecast. z Projection.
Source: ABARES; ABS
Industry productivity has continued to grow

Input, output and productivity estimates, Australian dairy

- **Productivity**: Orange line
- **Milk production**: Red dashed line
- **Inputs**: Blue dotted line

**Graph Details**
- **Output increased faster than inputs**
- **The same amount of output produced with less inputs**

Source: ABARES; ABS
Outlook for key commodities

- Dairy
- Beef
- Vegetables
Cattle turn-off to fall in 2019-20

Source: ABARES; ABS
Production down but supported by feedlots

Source: ABARES; ABS; Meat & Livestock Australia
Global demand supporting beef and cattle prices

Source: ABARES; ABS; Meat & Livestock Australia

f ABARES forecast.
African swine fever is disrupting global protein markets

Source: USDA; Rabobank; MLX Pty Ltd
Chinese retail prices have begun to increase sharply

Chinese consumer price index, food

<table>
<thead>
<tr>
<th>Item</th>
<th>Change from a year earlier (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>11</td>
</tr>
<tr>
<td>Meat</td>
<td>47</td>
</tr>
<tr>
<td>Pork</td>
<td>69</td>
</tr>
<tr>
<td>Beef</td>
<td>19</td>
</tr>
<tr>
<td>Mutton</td>
<td>16</td>
</tr>
<tr>
<td>Poultry</td>
<td>15</td>
</tr>
<tr>
<td>Fish</td>
<td>3</td>
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</table>

Source: National Bureau of Statistics, China
Australia’s meat exports to China exceed annual beef quota

Source: ABS
Beef exports to China forecast to rival Japan

Australian beef export value by top 4 markets

- United States
- Japan
- Korea
- China

2016-17
2017-18
2018-19
2019-20f

f ABARES forecast.
Source: ABARES; ABS
Farm cash income, Victorian beef farms

Source: ABARES

y Provisional estimates.
Outlook for key commodities

• Dairy
• Beef
• Vegetables
Farm cash income, vegetables industry

<table>
<thead>
<tr>
<th>Year</th>
<th>Victoria</th>
<th>Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>200,000</td>
<td>100,000</td>
</tr>
<tr>
<td>2009-10</td>
<td>250,000</td>
<td>150,000</td>
</tr>
<tr>
<td>2011-12</td>
<td>220,000</td>
<td>120,000</td>
</tr>
<tr>
<td>2013-14</td>
<td>300,000</td>
<td>180,000</td>
</tr>
<tr>
<td>2015-16</td>
<td>350,000</td>
<td>200,000</td>
</tr>
<tr>
<td>2017-18y</td>
<td>700,000*</td>
<td>350,000*</td>
</tr>
</tbody>
</table>

* Provisional estimates.
Source: ABARES
Incomes supported by strong demand

Vegetable selling methods in Victoria, 2016-17

Source: ABARES
Horticultural farms use large numbers of low-skilled workers from overseas

Most workers are Australians, living nearby highlighting the importance of local labour.

Dependence on overseas workers exposes farms to visa changes.

Source: ABARES
Some farms had difficulty recruiting

Dairy and broadacre farms had more difficulty recruiting in 2017-18

Proportion of farms that recruited

Proportion of recruiting farms that had difficulty

Higher skilled vacancies were more difficult to fill

Vegetable farms located near cities reported more difficulty recruiting workers

Note: Vegetable farm results reported for 2016–17. Irrigated fruit and nut farm results are based on farms surveyed in the southern Murray–Darling Basin for 2016–17.
Source: ABARES