



Australian Government

Department of Agriculture

ABARES

National and international issues affecting South Australia

Peter Gooday – Chief Commodity Analyst

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

25 September 2019



The Sector's goal for 2030

Production and export performance

Farm incomes

Increased food demand

China policy and trade tensions

Long term factors

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

Statistics



Forecasts

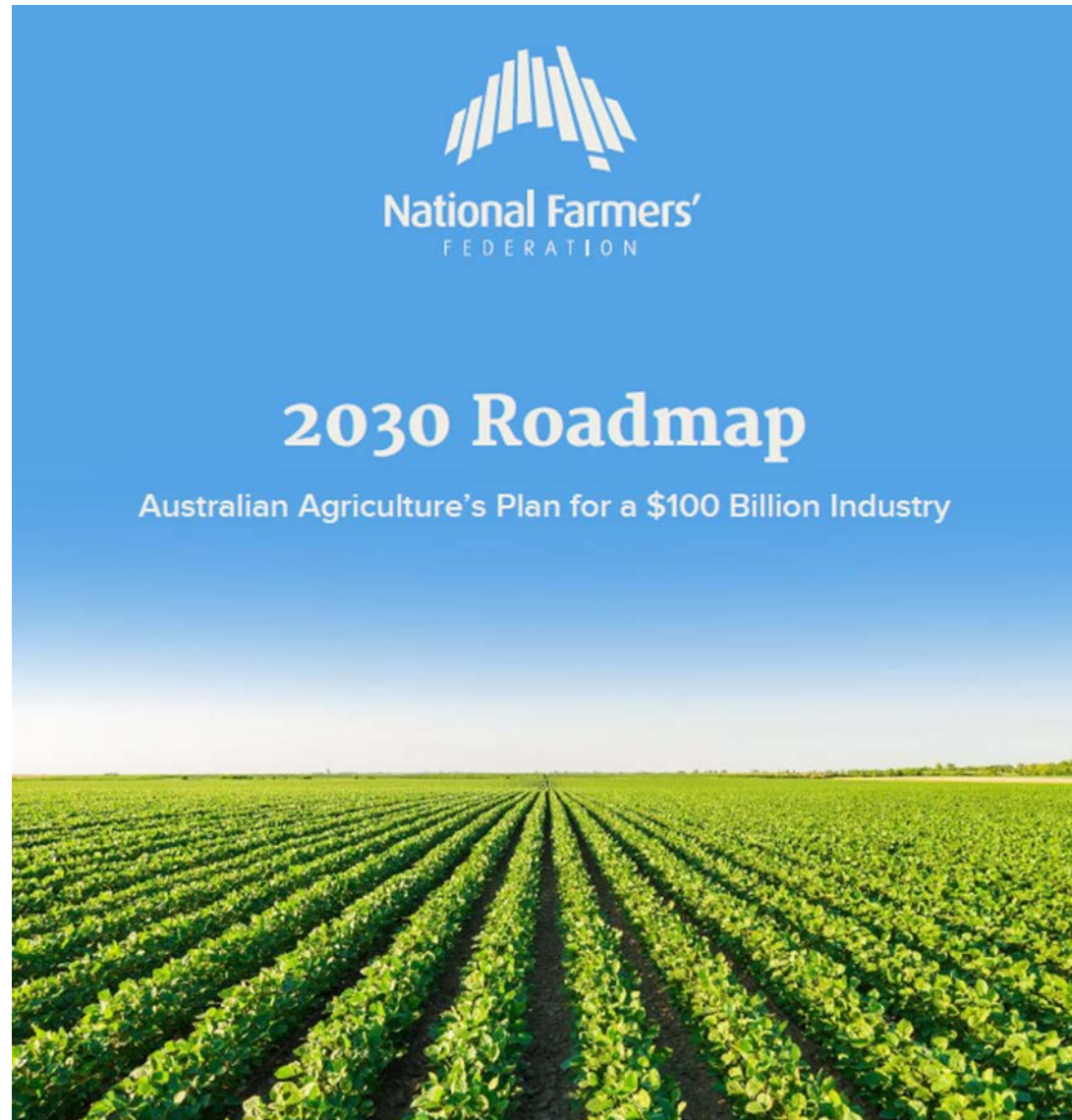


Analysis

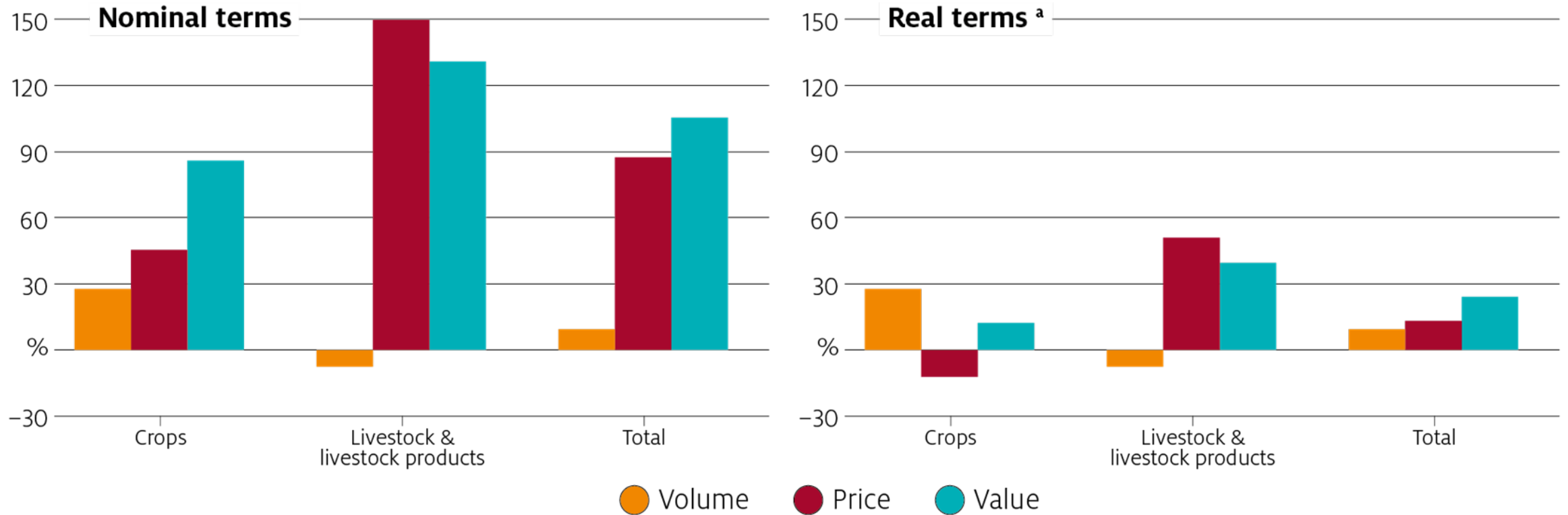


agriculture.gov.au/abares/research-topics

Support for \$100 billion by 2030



Prices account for 90% of past growth

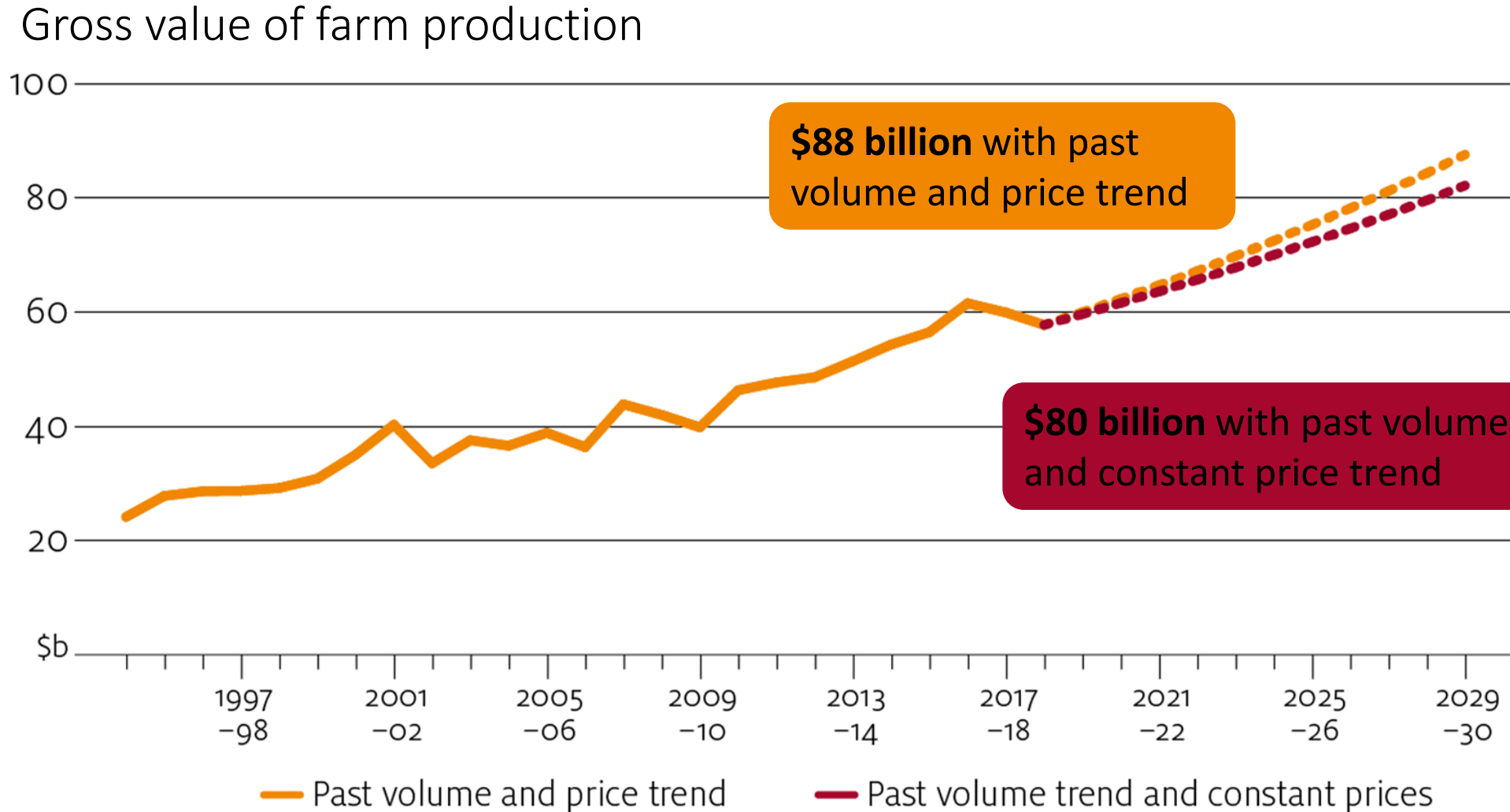


Source: ABARES Insights, Issue 1, 2018 (<http://www.agriculture.gov.au/abares/Documents/snapshot-australian-agriculture.pdf>)

Note: estimates relate to the agriculture sector only (does not include fisheries and forestry), crops includes horticulture, values represent the growth in each variable over the past 20 years (not the proportion of growth that can be attributed to each factor), ^a real prices and values are adjusted to remove the effects of inflation.

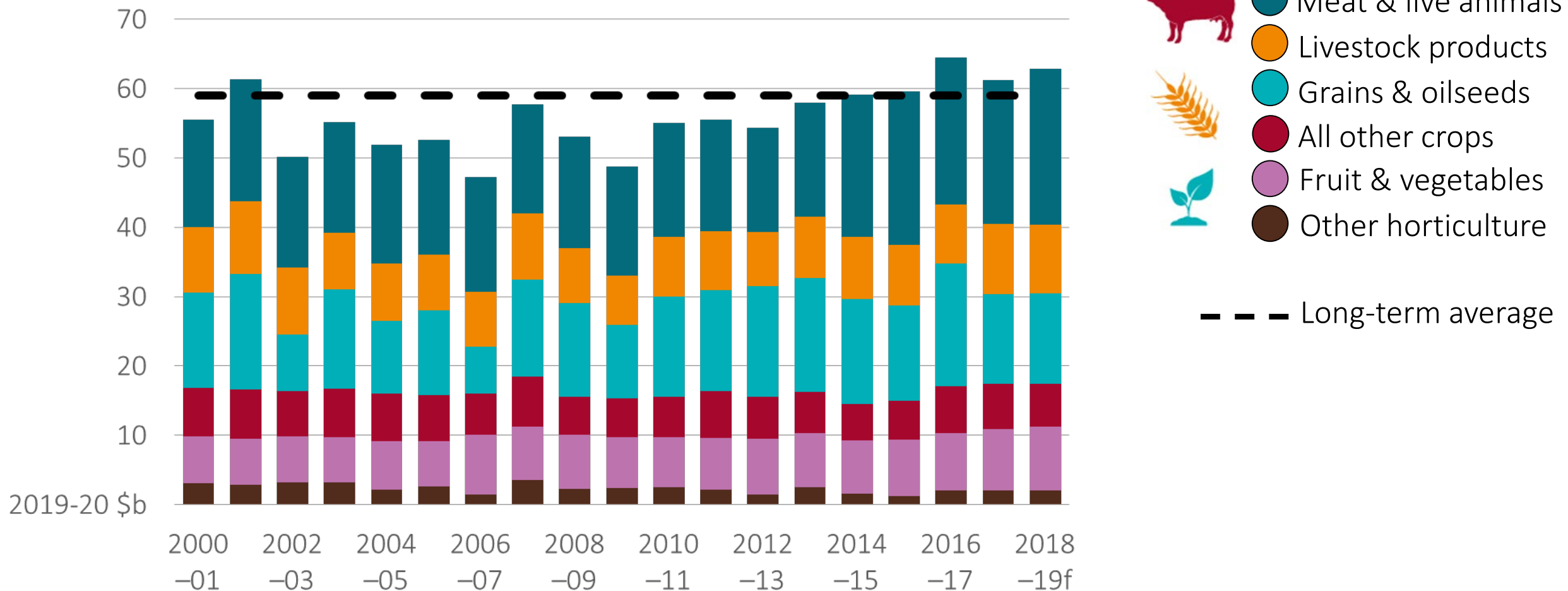
Source: ABARES.

Take nothing for granted



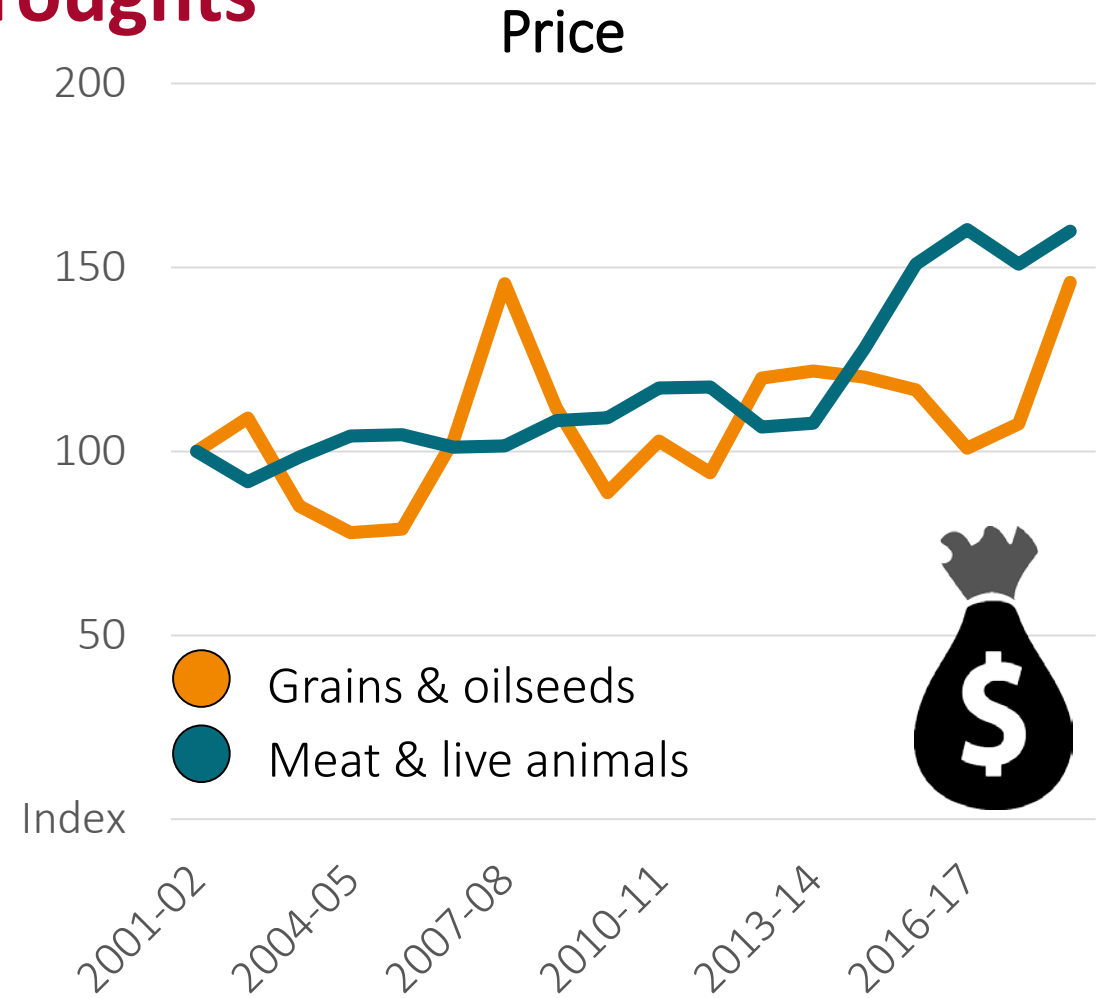
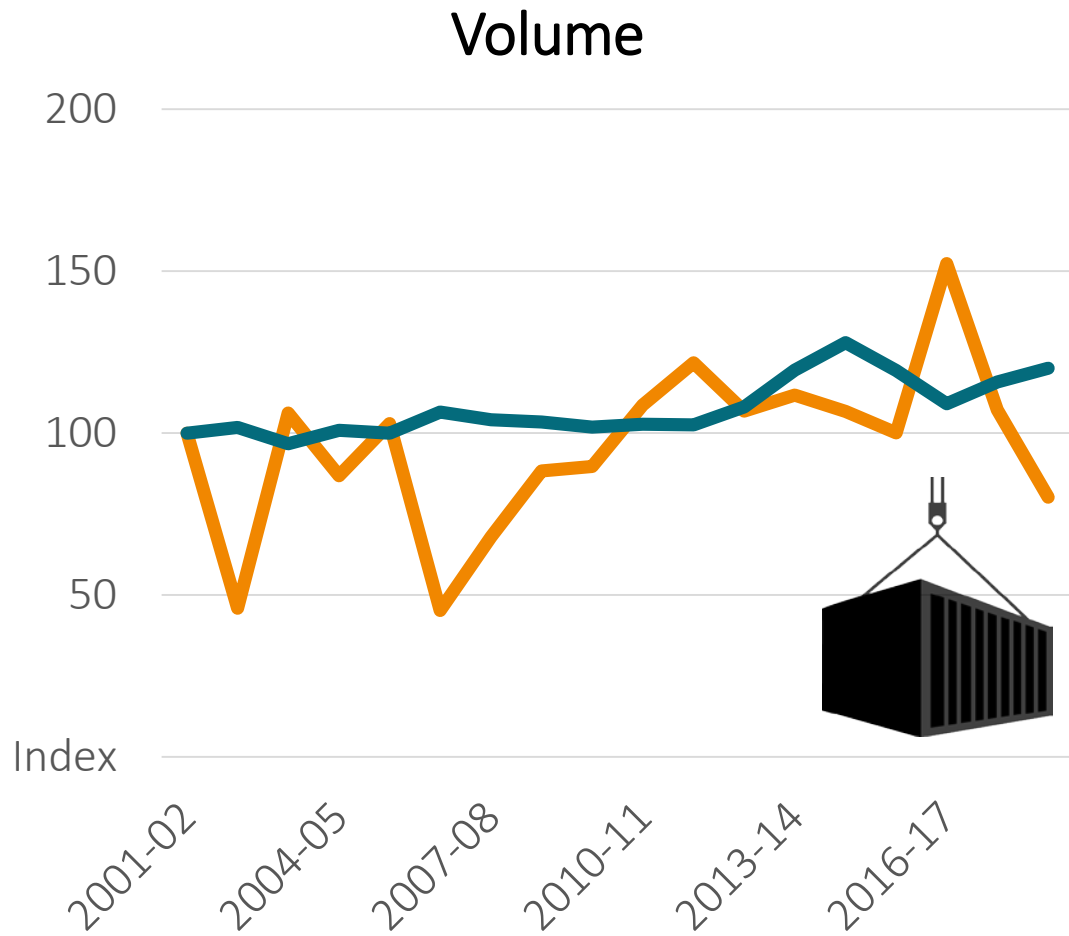
Sector remains strong despite drought

Gross value of agricultural production



^e estimate

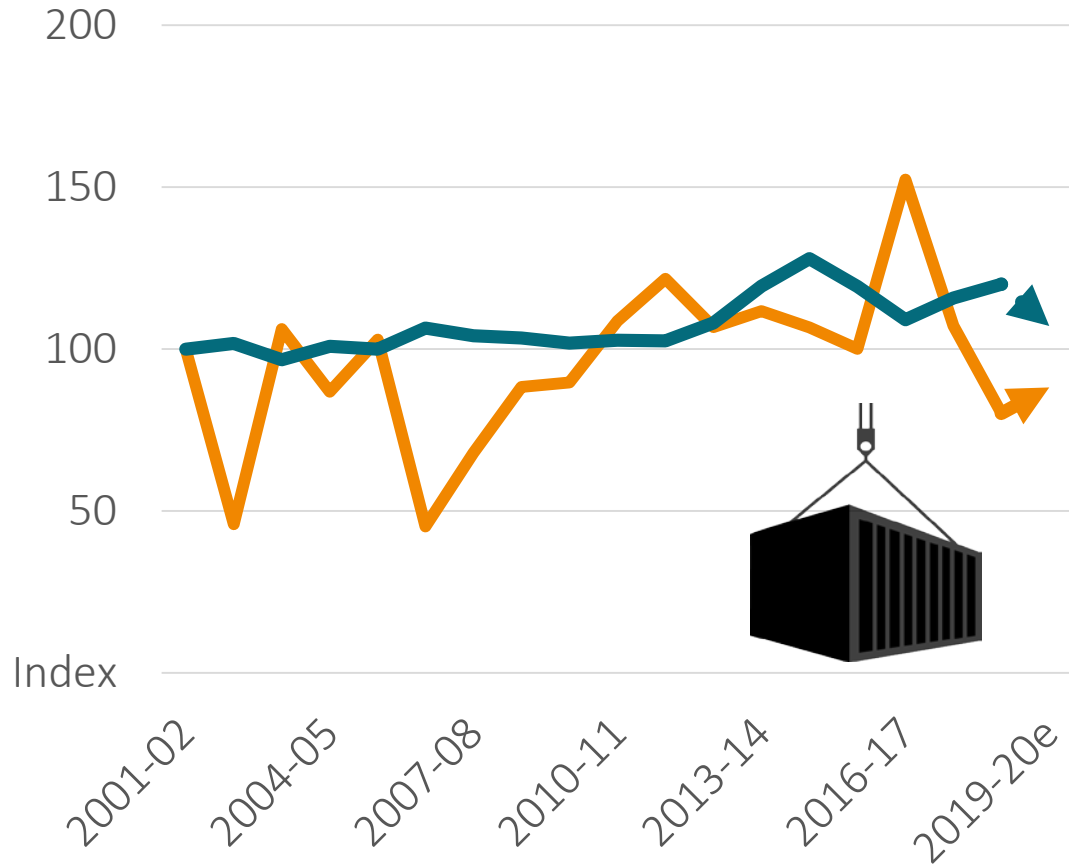
Farm production and farm gate prices were much better compared to previous droughts



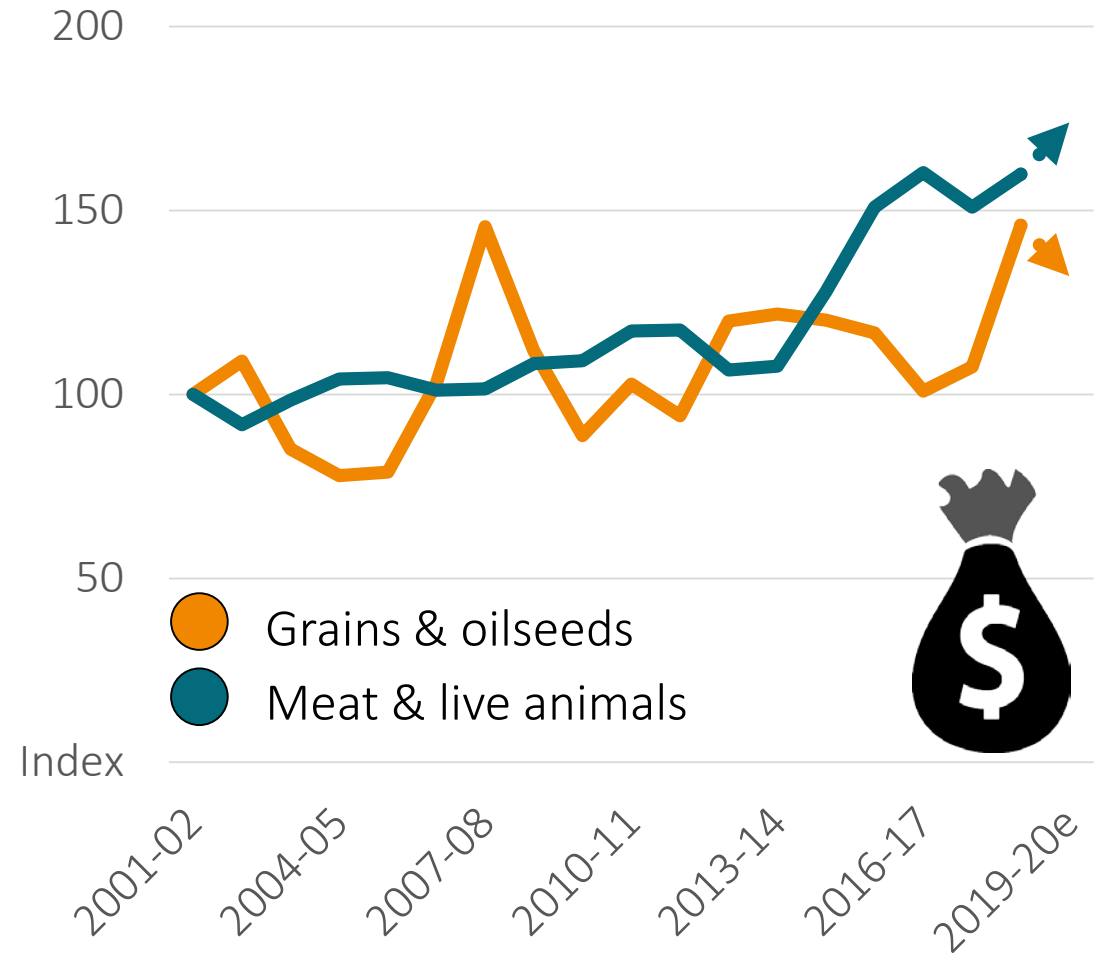
e estimate

Looking ahead, prices to remain strong while volumes remain low in 2019-20

Volume



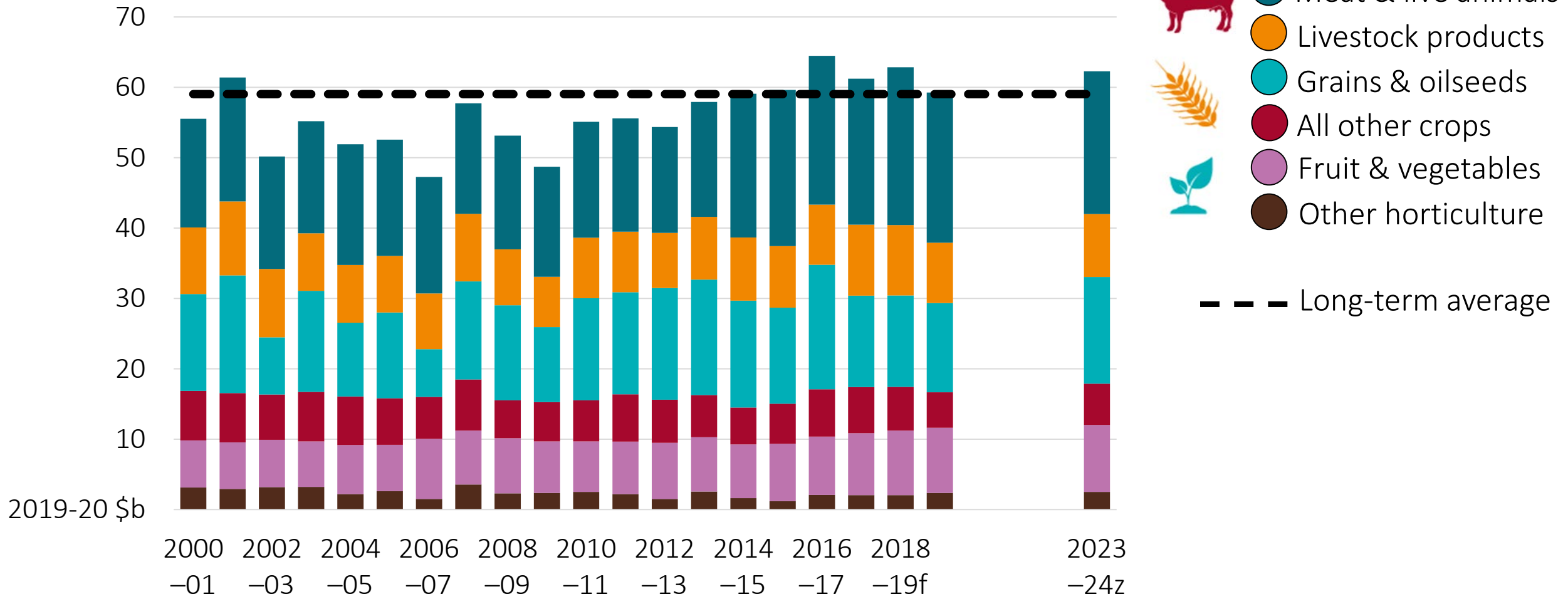
Price



e estimate

Modest growth ahead

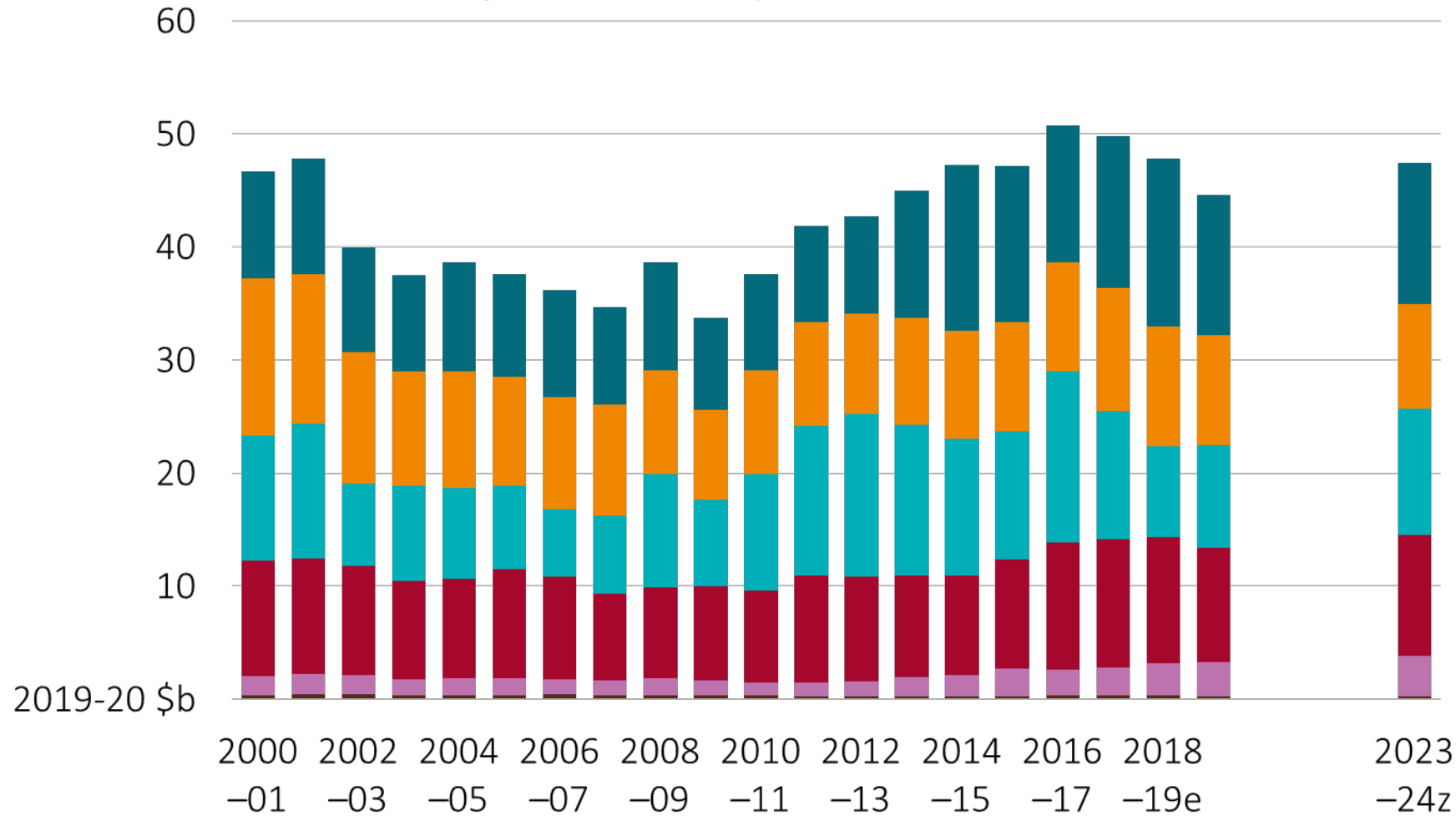
Gross value of agricultural production



e estimate. Z projection.

Exports to grow modestly, risks mounting

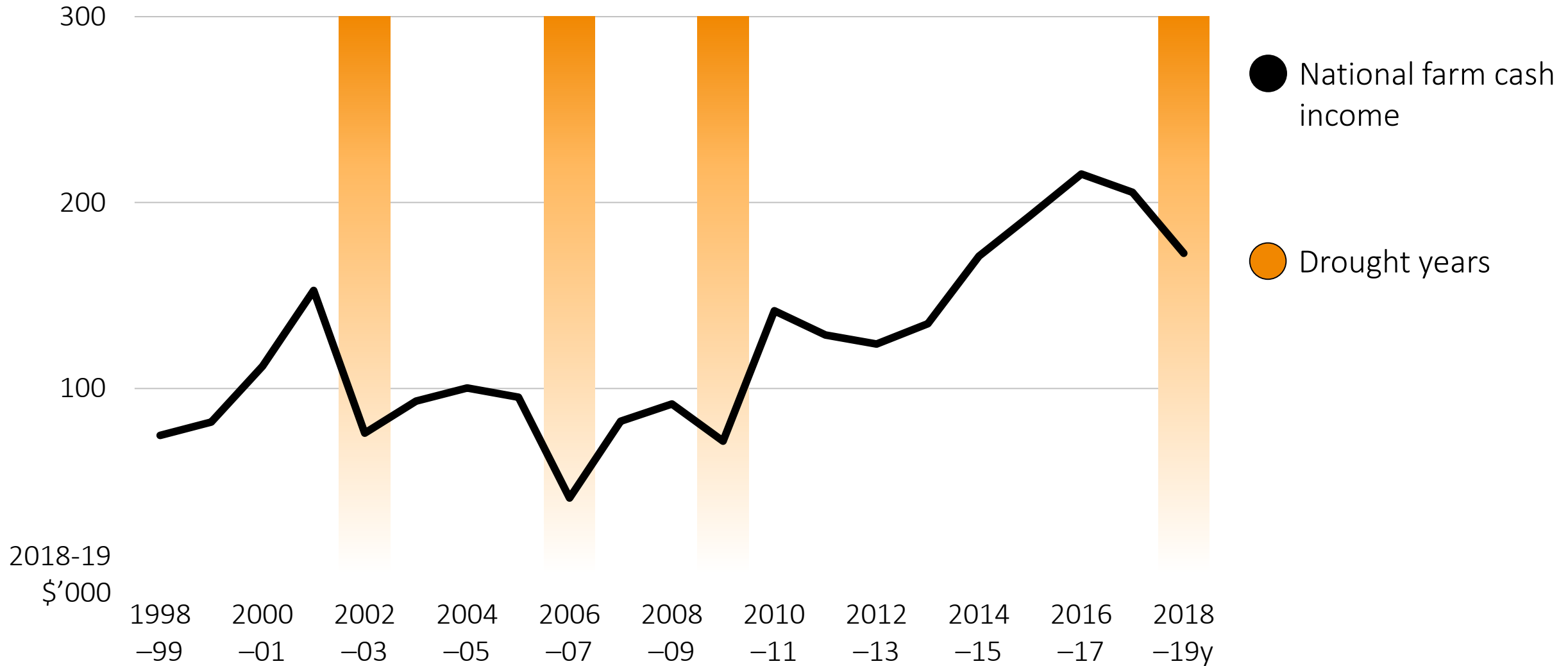
Gross value of agricultural exports



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

e estimate. Z Projection.

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



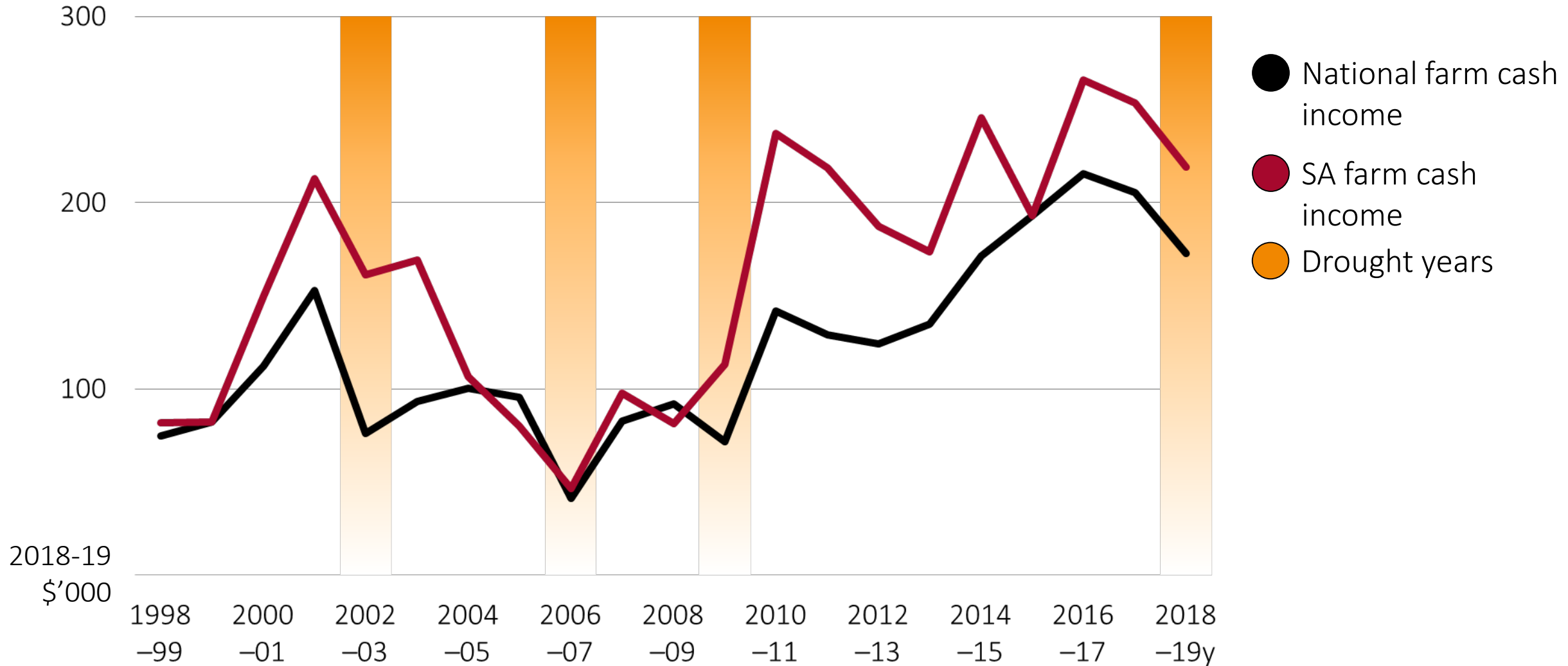
- National farm cash income
- Drought years

2018-19
\$'000

y Projection.

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

Chart Title



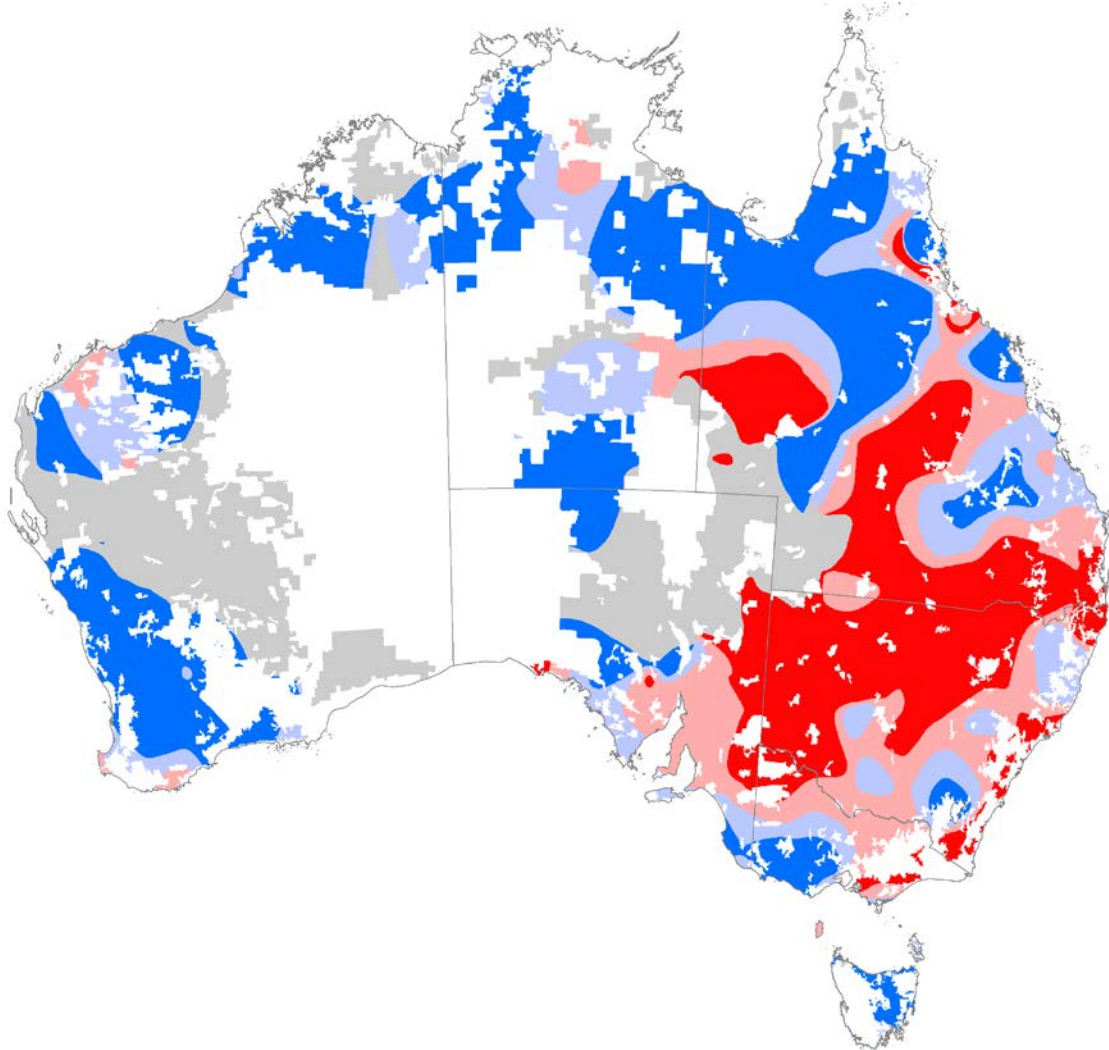
- National farm cash income
- SA farm cash income
- Drought years







2018-19
\$'000

y Projection.

Regional drought effects are very clear

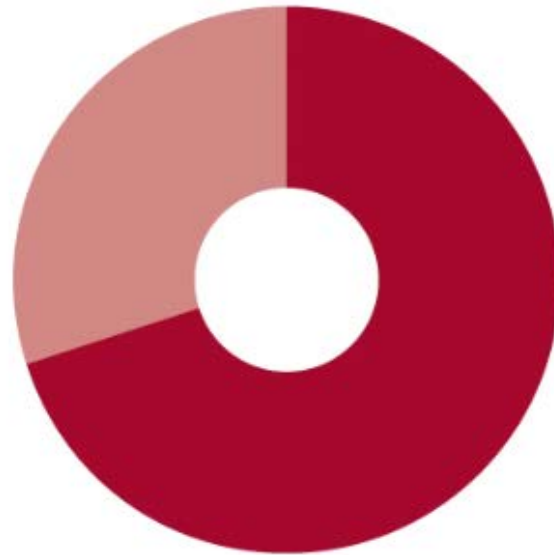
Current farm cash income compared to average over the previous 10 years



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

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



Beef & veal
76%



Canola
75%



Cotton
98%



Dairy products
41%



Horticulture
18%



Mutton & lamb
72%



Pig & poultry
6%



Sugar
78%

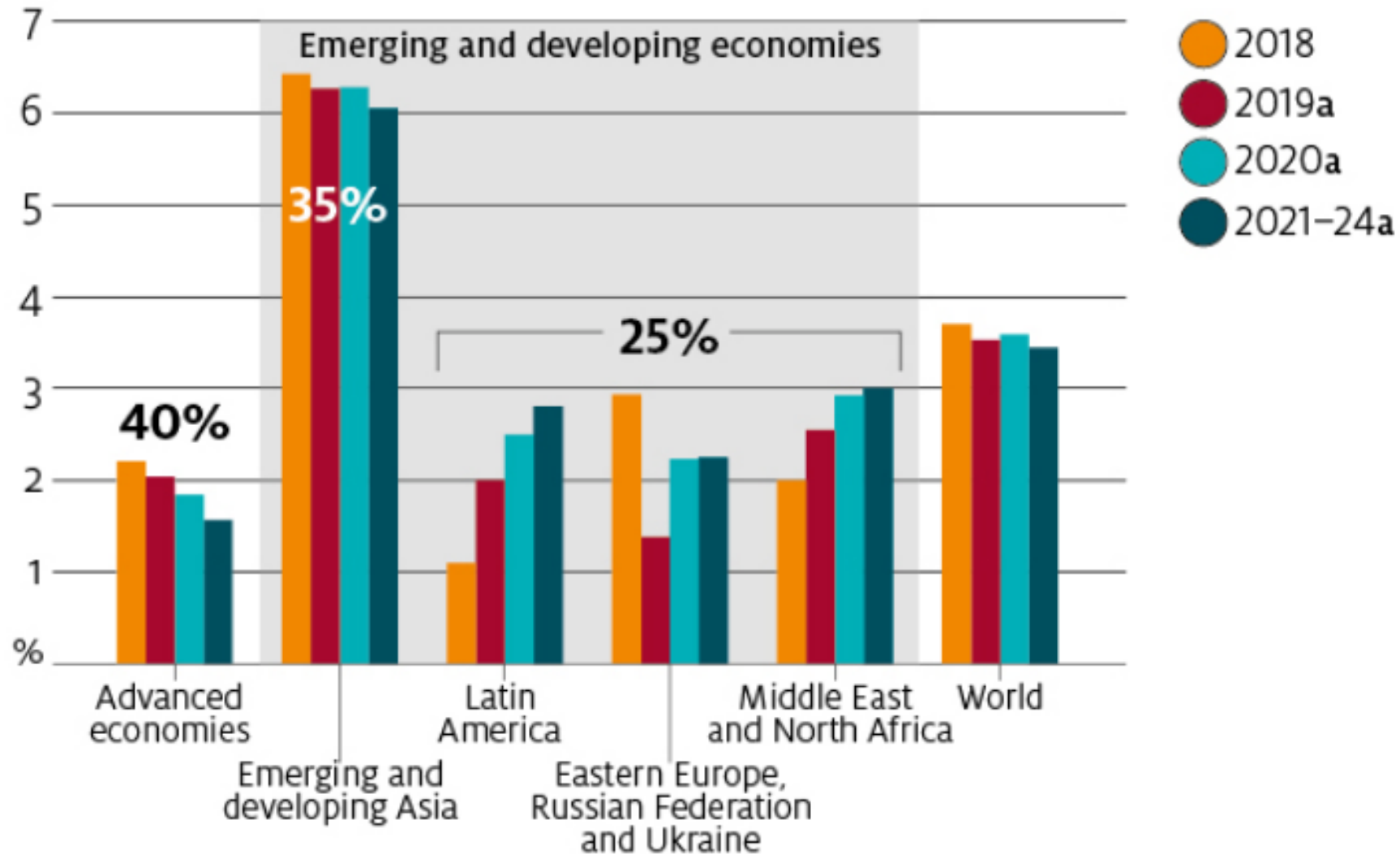


Wheat
71%



Wool
98%

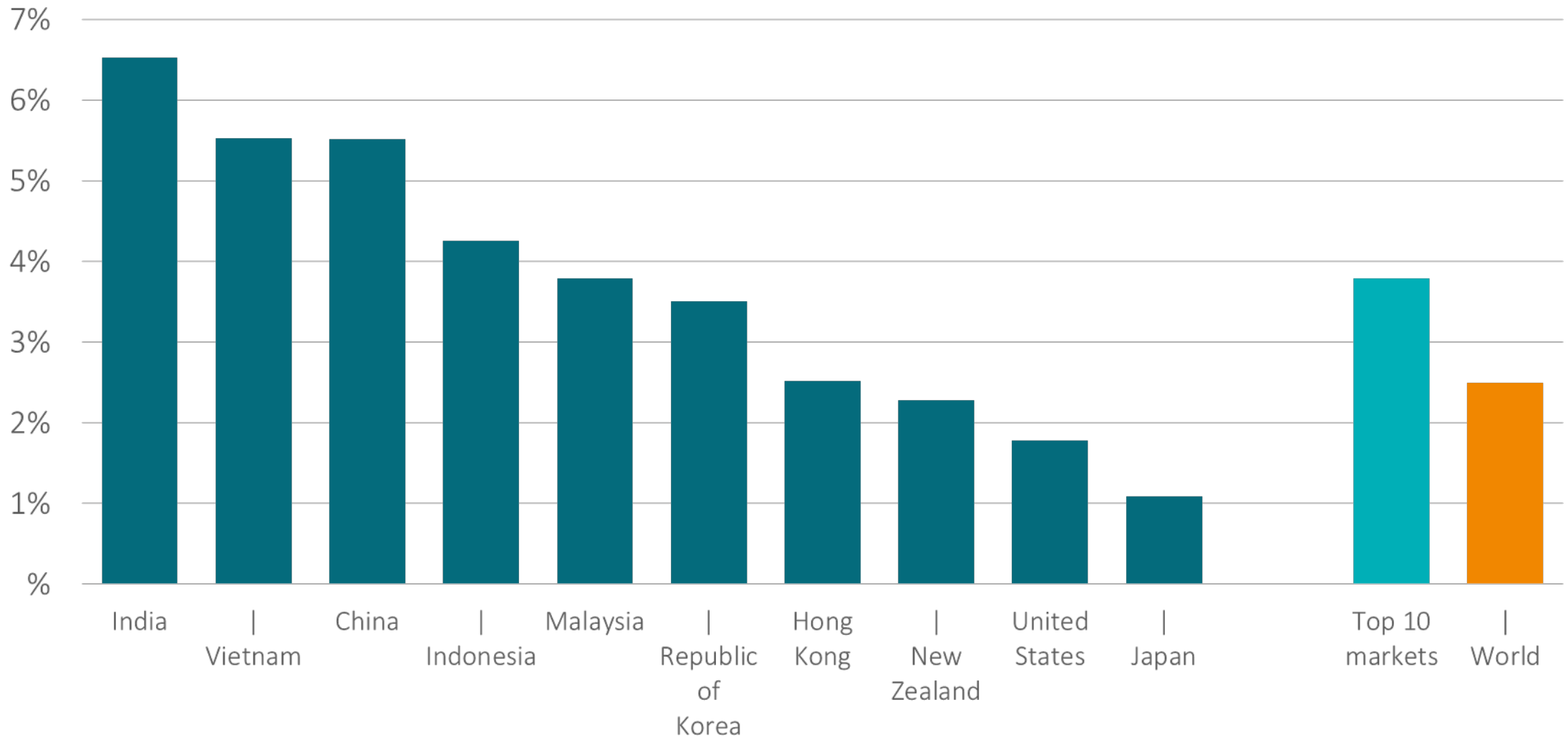
World economic growth to slow this year



e ABARES assumption. b Indonesia, Malaysia, the Philippines, Thailand and Vietnam

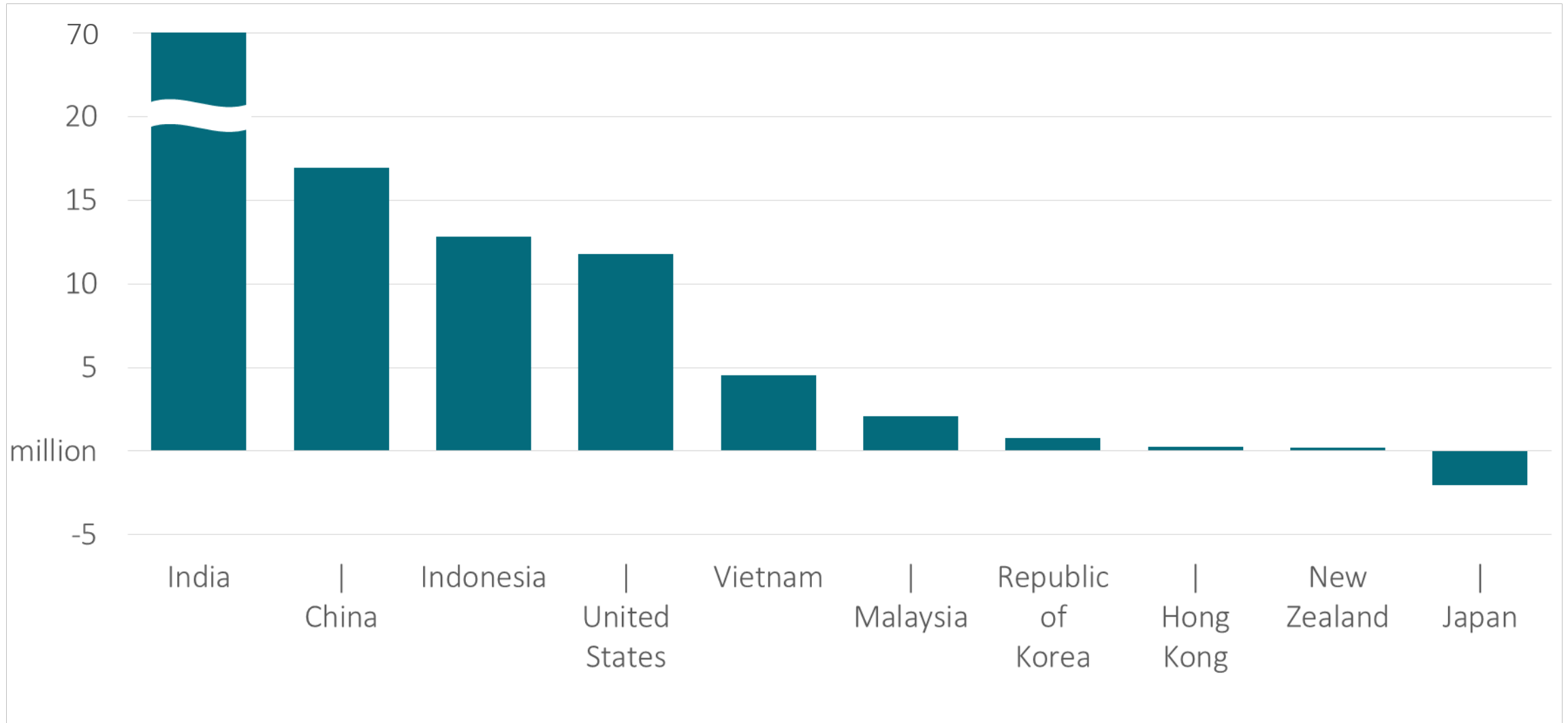
But the outlook for our major markets is better

GDP per person, annual average growth, 2019 to 2024



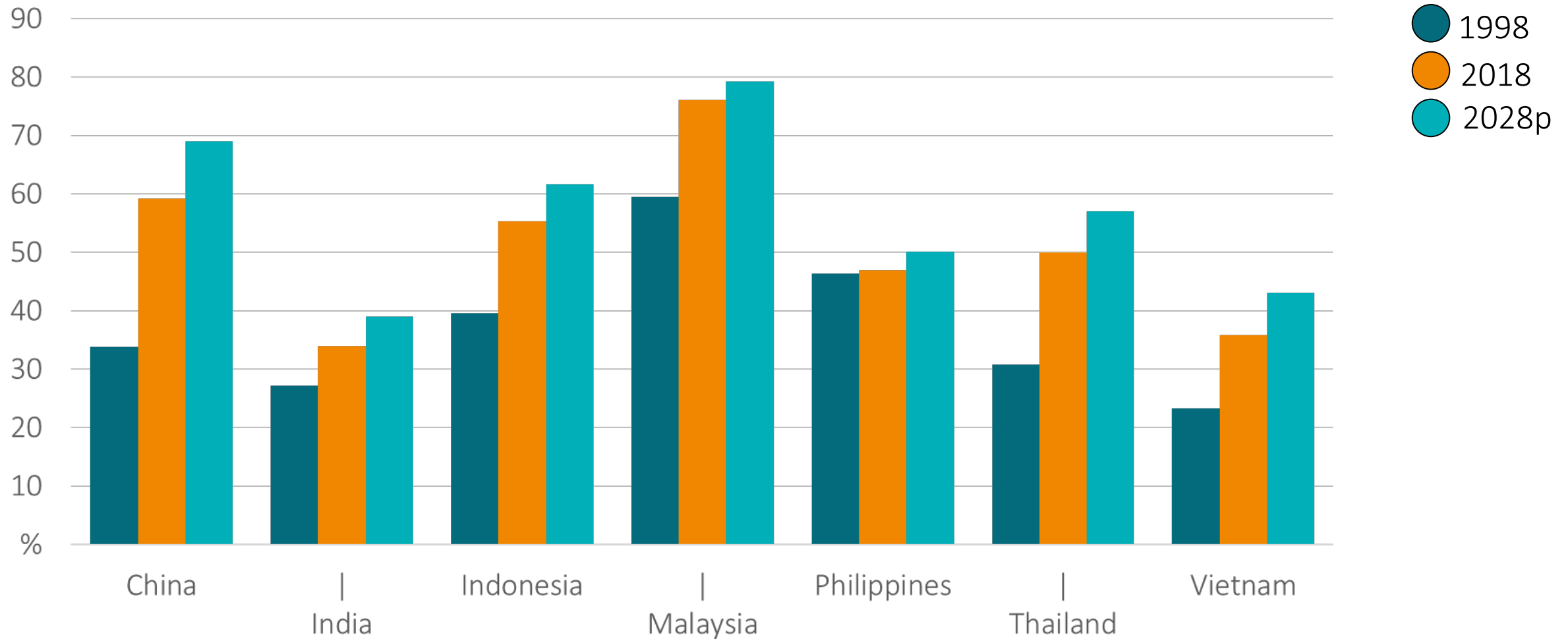
But the outlook for our major markets is better

Change in population, 2019 to 2024



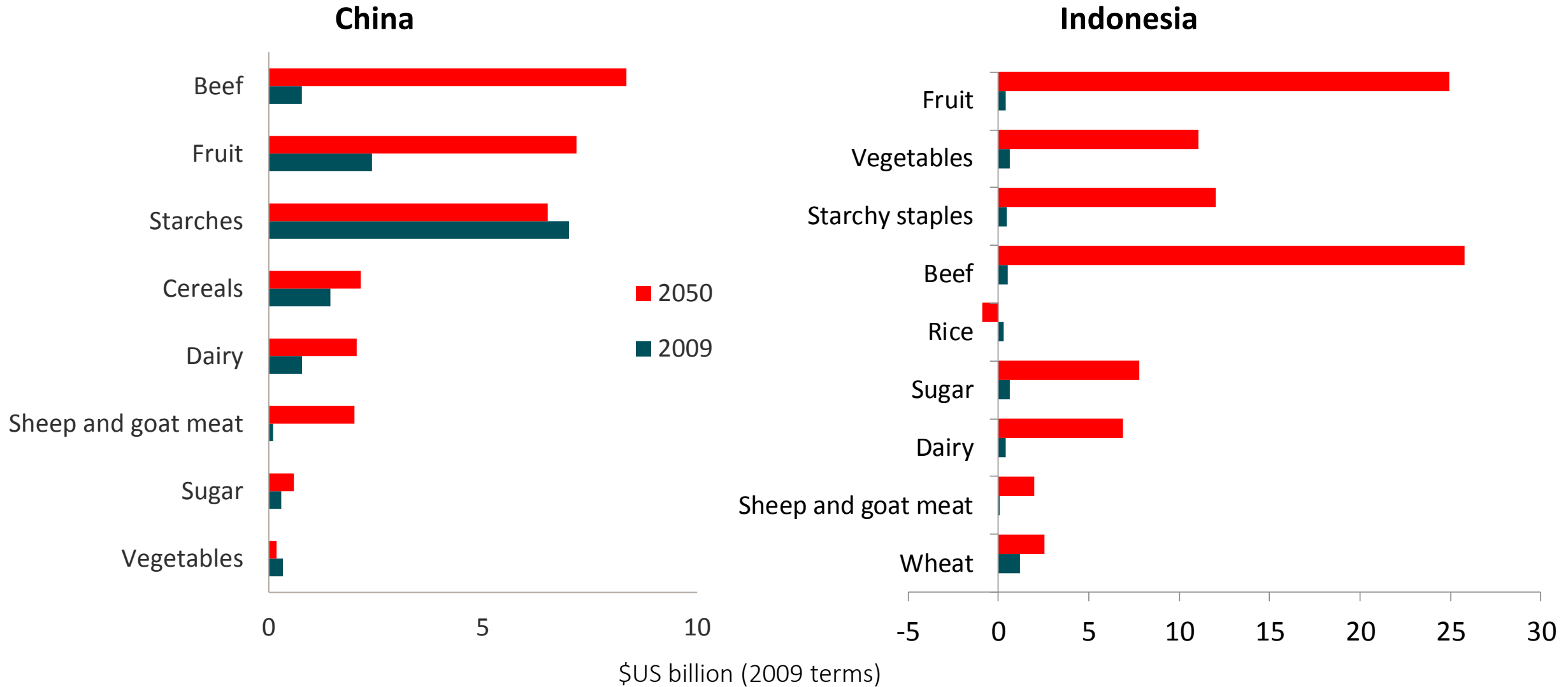
But the outlook for our major markets is better

Share of urban population

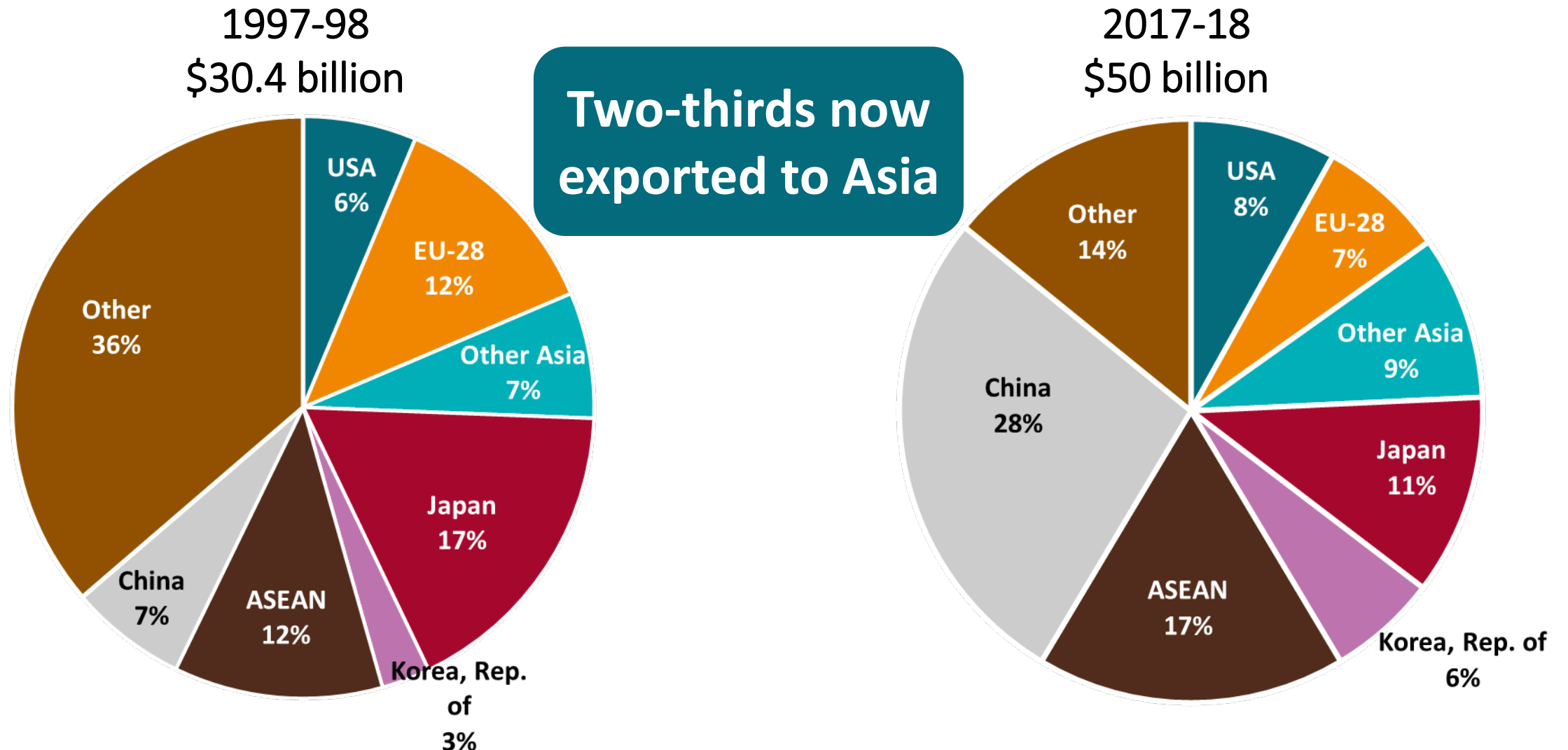


p Projection

China and Indonesia food imports – 2009 and 2050

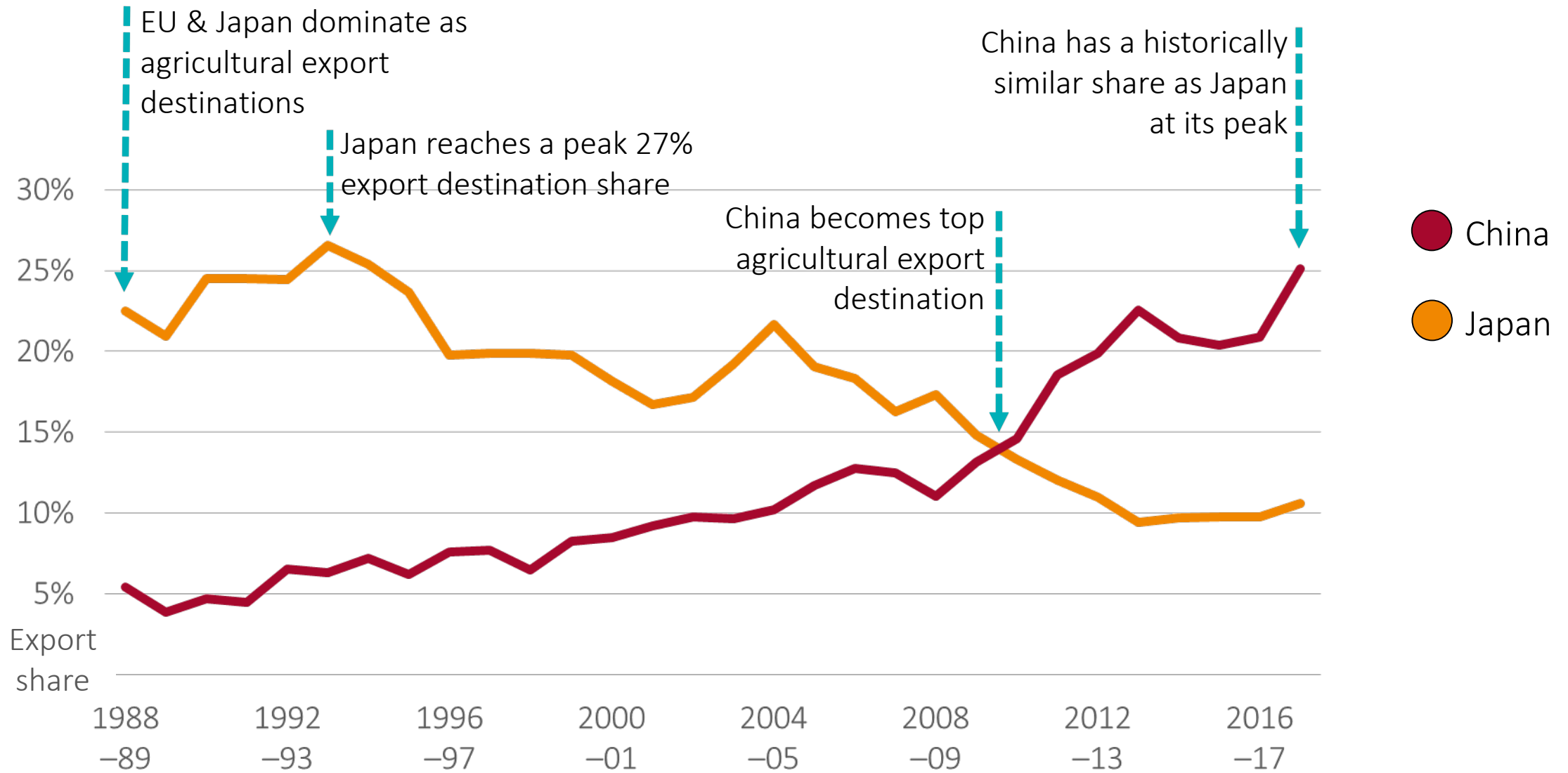


Australia's agricultural export markets are changing



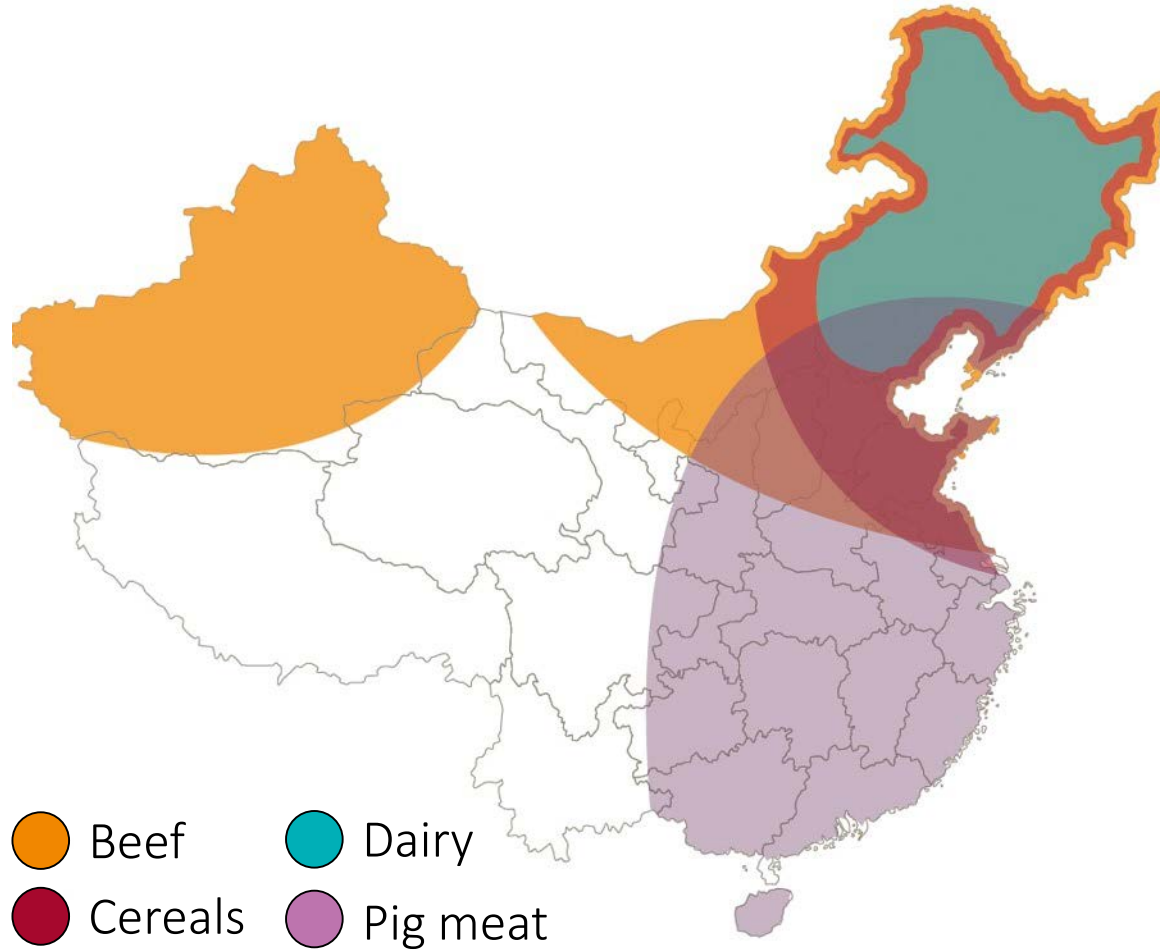
Note: Values reported in constant 2017-18 Australian dollars

China's agricultural evolution will be important



Note: Excludes adjustments for confidential data

China's structural reforms



“China will keep deepening supply-side structural reform”

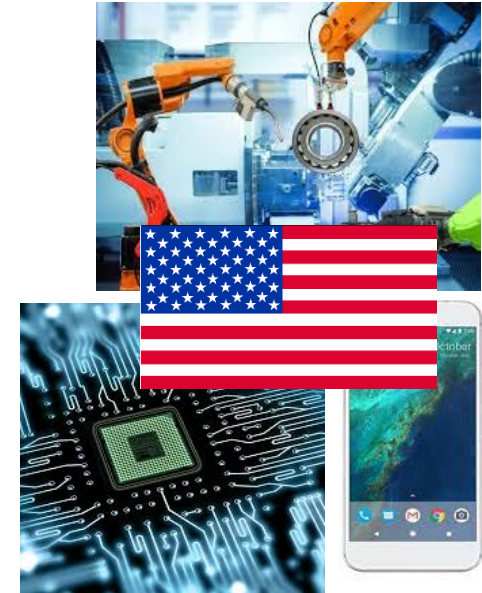
Xi Jinping Chinese President
July 2017

Global trade conflict – China and United States

The US is using multiple acts of trade legislation to pursue its objective of America first.

s232 of the US Trade Expansion Act 1962

- In **March 2018** US introduced tariffs on all imported steel (25%) and aluminium (10%)
- China retaliated in **April 2018** with tariffs on a range of US products, including **pork (25%)** and **fruit, tree nuts and wine (all 15%)**



s301 of the US Trade Act 1974

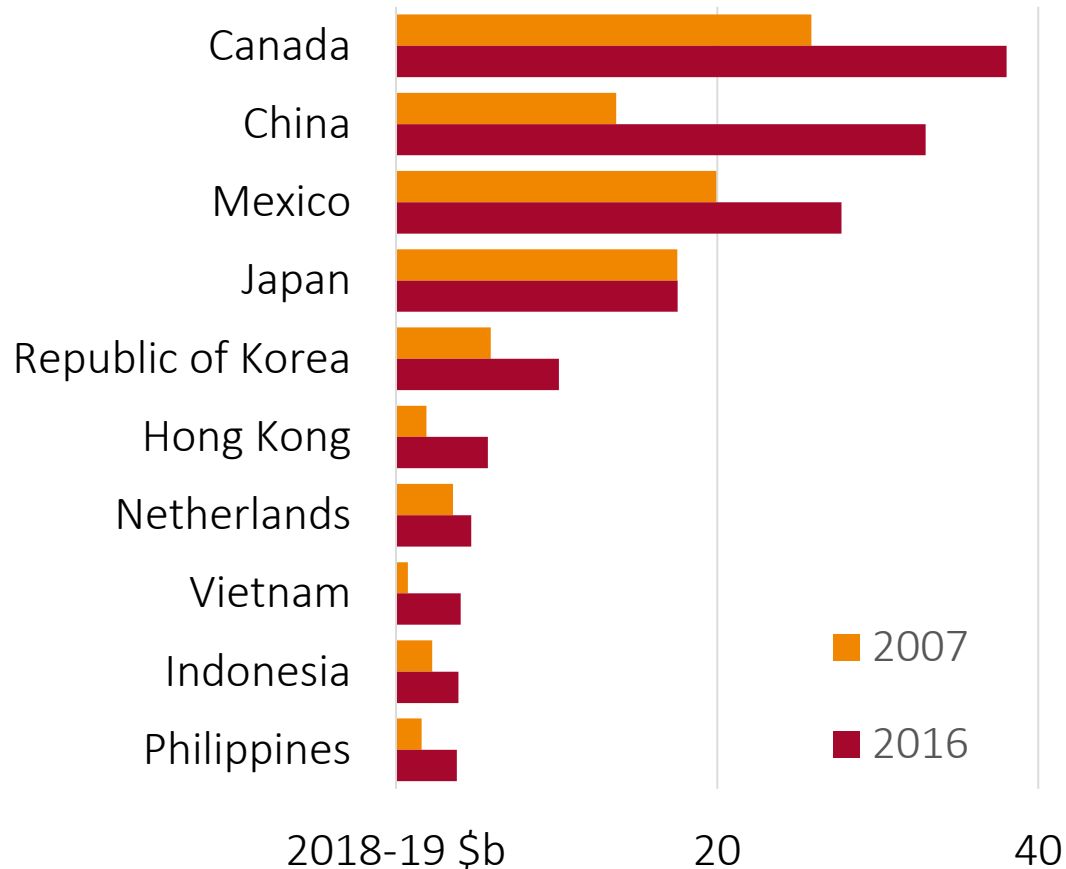
- This dispute has been escalating since July 2018.
- The total value of trade affected by tariffs will be **\$185 billion of US goods** and **\$550 billion of Chinese goods**.



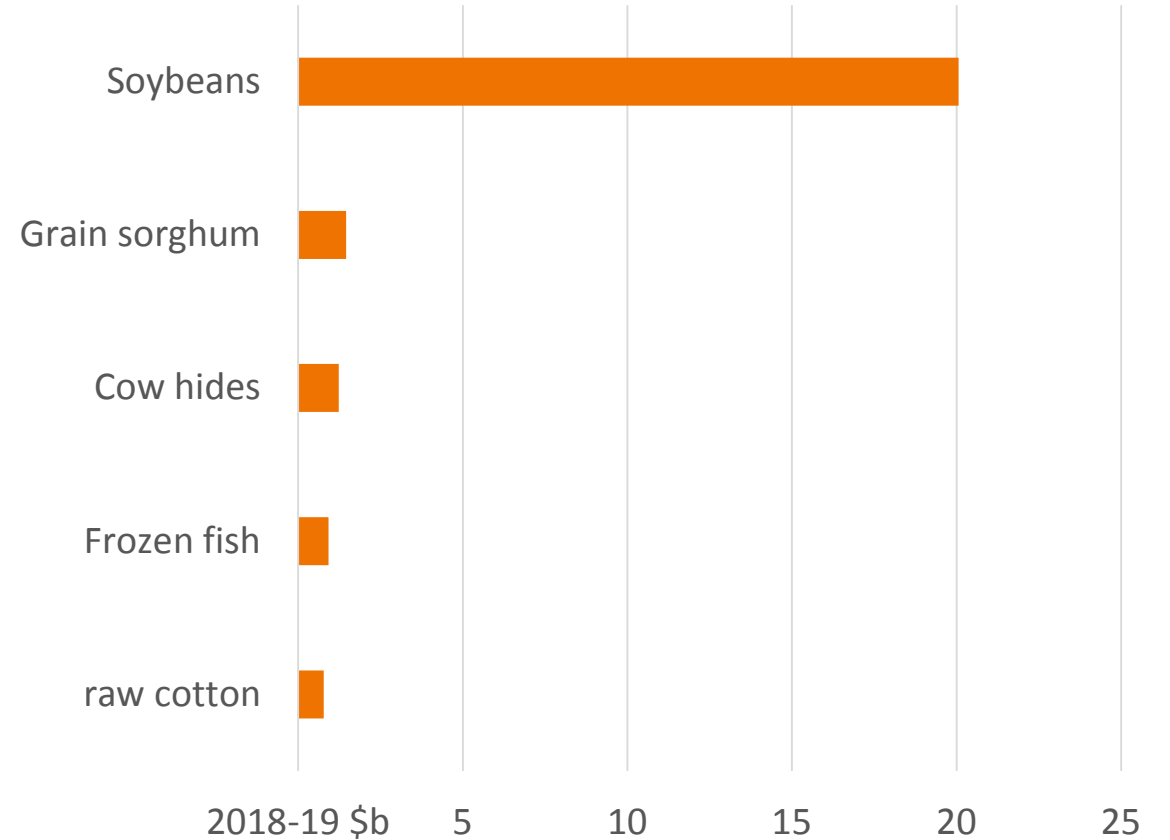
China is the second largest market for US agricultural goods

Major US agricultural export markets

United States



Top 5 US exports to China



So where are US agricultural exports going now?

... trade diversions are increasing competition in other markets...

- Australian GM-free canola facing increased competition in European markets from low cost US soybeans and Canadian canola

... and lower demand for Australian agricultural products.

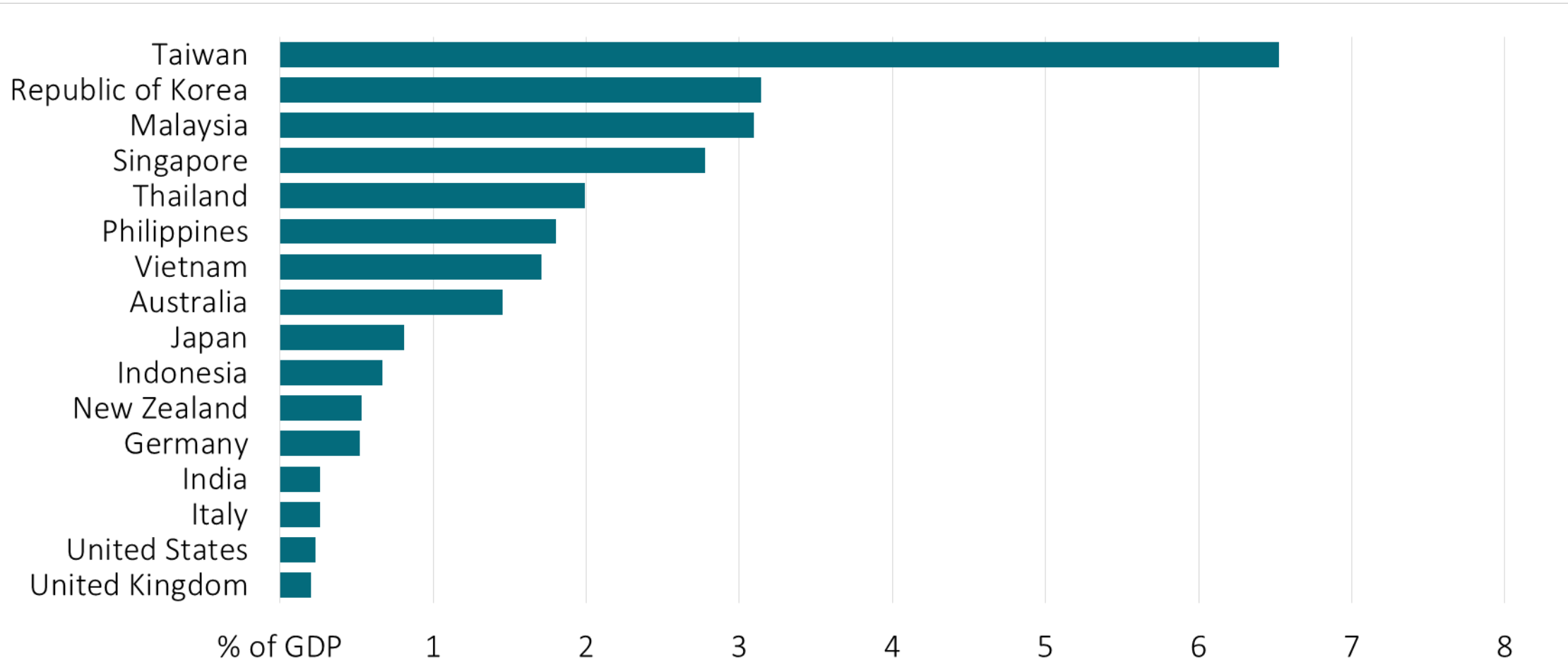
- US Tariffs on Chinese garments and textiles reducing demand for Australian natural fibres such as cotton and wool

Its not just agriculture which is being affected...

- The China-US trade dispute is increasing prices for businesses and consumers on both sides, reducing demand and slowing economic growth.

A decline in Chinese exports will reduce growth across the region

Foreign value added in Chinese exports, 2016



Source: International Monetary Fund; Organisation for Economic Cooperation and Development

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

Society's expectations



Beef cattle, New South Wales
The Straits Times



Chicken shed, Victoria
Australian Chicken Meat Federation



Salmon farming, Macquarie Harbour, Tasmania
Environment Tasmania



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