

Medium-term industry outlooks

Summary

This section provides medium-term outlooks for Queensland's main primary industries including cattle and calves, poultry, pigs, sheep and lambs, milk, eggs, wool, fruit and nuts, vegetables, sugar, cotton, cereal grains, fisheries and forestry and timber.

The medium-term outlook provides a prospectus for each of these industries in Queensland over a period of three to five years, based on current information.

A brief summary has been provided for each industry, outlining past trends and forecasts for the medium term, along with some of the key opportunities and challenges that may impact on the final outcome for each of these industries over the medium term.

Looking forward, the majority of Queensland's primary industries are projected to grow. Over the medium term to 2018–19, expectations for key commodities are for:

- **cattle slaughter** rates to increase gradually as Australia's cattle herd is forecast to continue to move north to Queensland and the Northern Territory
- national **poultry meat** industry GVP to grow strongly. Queensland is expected to lead this trend
- Queensland **pig meat** production growth and prices to be slightly higher than the national average
- Australian **milk production** to rise to approximately 10.1 billion litres in 2018–19, reflecting further increases in milk yield per cow
- national **egg industry** revenue to grow by 12 per cent. Queensland is forecast to follow this trend
- Queensland's **wool industry** to grow steadily with prices expected to peak at 1155 cents a kilo in 2015–16
- Queensland's **fruit and nut** industry to increase production, reflecting rising global demand
- further switching from mainstream crops in Queensland **cereal grains**, such as wheat, sorghum and barley, into more minor but higher value crops
- continuation of relatively healthy output levels for **sugar** and **cotton**
- future market opportunities for **timber and wood products** due to population growth and associated housing demand consistently increasing timber demand
- stability in **fisheries** production and increasing opportunities in **aquaculture**.

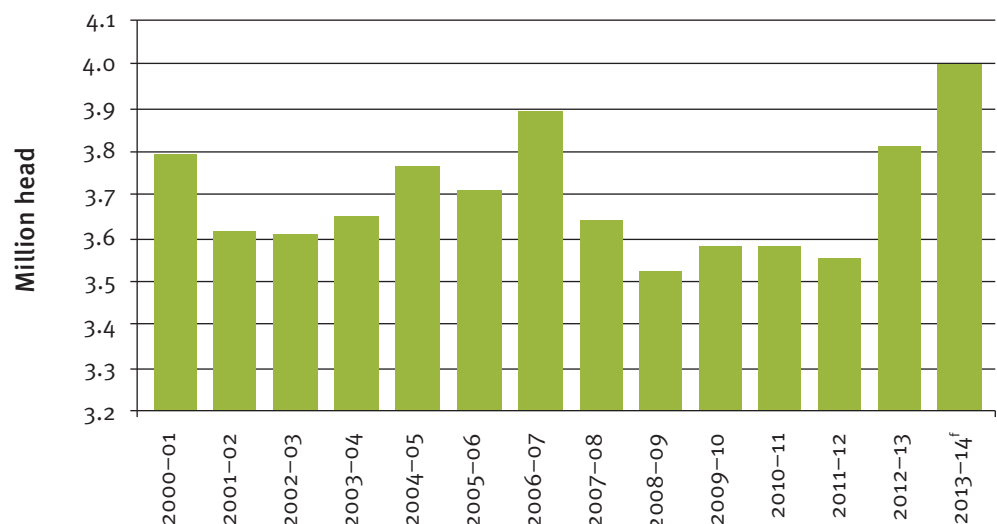
Cattle and calves¹

Past trends

To date, Australia's beef herd has been moving north due to more reliable seasonal conditions (such as an annual wet season), improved access to processing and lot feeding facilities, exposure to both the live export and slaughter trade, and a lack of competition in many regions from other enterprises (such as crops and sheep that exist in the southern states). More than 59 per cent of total beef cattle are now found in Queensland, the Northern Territory and at the top of Western Australia. This proportion has grown from about 54 per cent in 1998, while the total number of beef cattle in northern Australia has grown at a compound rate of approximately 1.6 per cent per annum since the low point of 1988.

Cattle and calf slaughterings in Queensland steadily increased from 2001–02 to a drought induced high in 2006–07. From 2007–08 to 2011–12 Queensland slaughterings stabilised at approximately 3.55 million per head per annum. Drought conditions in 2012–13 saw a 7 per cent increase from the prior four-year average of slaughterings (see Figure 6.1).

Figure 6.1 Cattle and calf slaughterings in Queensland

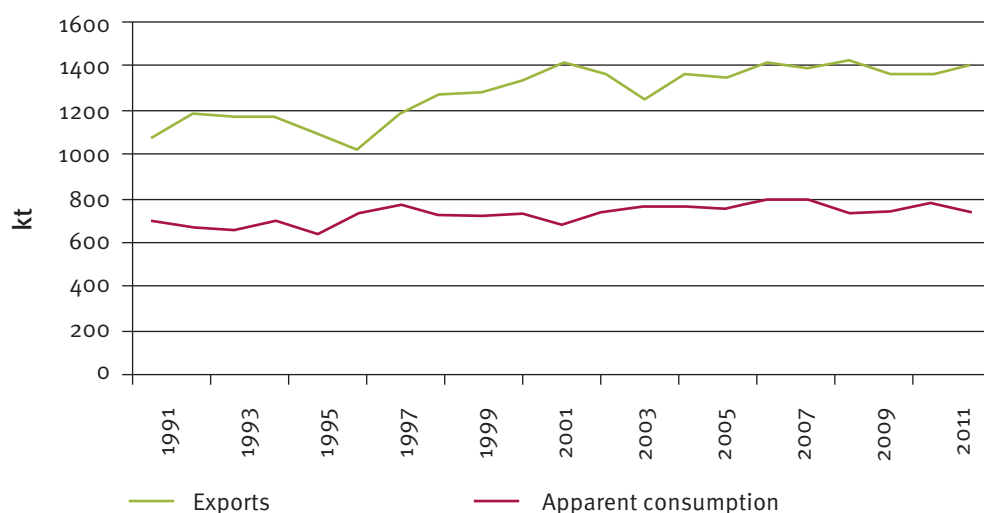


f forecast

Domestic consumption of beef has grown at about 0.35 per cent per annum over the long term and the rate of growth appears unlikely to increase (see Figure 6.2). Exports of beef have grown at about 1.3 per cent per annum over the same period.

¹ This section is in part a summary of *Australian cattle industry projections* published in 2014 by Meat & Livestock Australia Ltd (MLA), supplemented with data sourced from the Australian Bureau of Statistics (ABS) and the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES).

Figure 6.2 Australian beef exports and apparent consumption

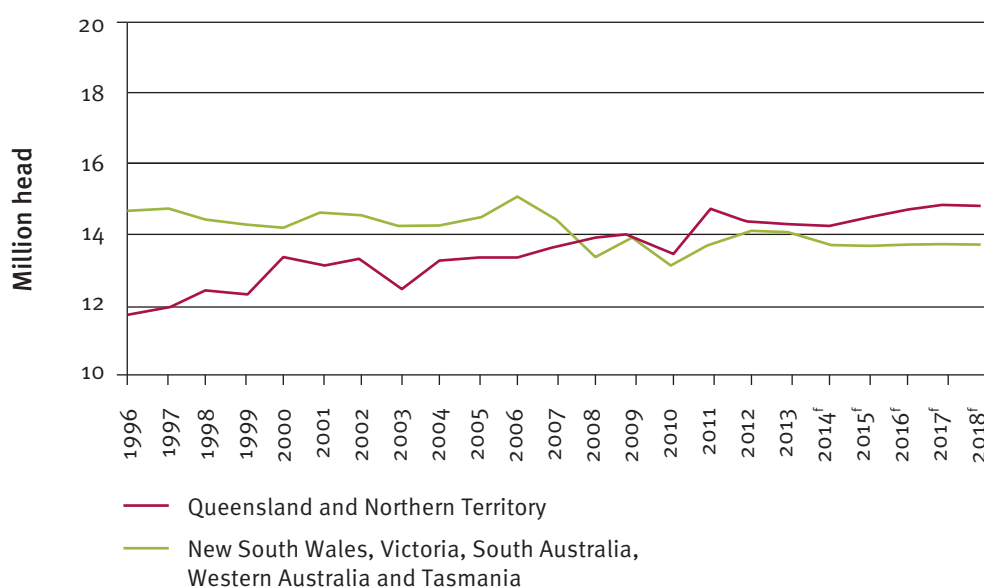


Sources: ABARES; *Agricultural commodities*, Australia, ABS, cat. no. 7121.0; *Livestock products*, Australia, ABS, cat. no. 7215.0; Export statistics, Canberra, DAFF

Forecasts

In the medium term Australia's cattle herd is forecast to continue to move north (see Figure 6.3).

Figure 6.3 Australian cattle herd by state and territory



^f forecast

Source: MLA forecasts as at 31 March 2014; ABS

Australian adult cattle slaughter rates are forecast to increase gradually through to 2017–18, based on the assumption of improved branding rates from late 2014 onwards and the assumption of average seasonal conditions. By 2018, adult slaughter is forecast to reach 7.85 million head, which is still well below the drought-inflated 2013 slaughter.

Meat & Livestock Australia Ltd (MLA) forecasts that Australian beef and veal production in 2013 will exceed 2.2 million tonnes cwt for the first time on record. This is mainly due to a 3.7 per cent increase in adult cattle slaughter, along with high carcass weights.

MLA also expects Australia's beef and veal production to increase gradually with beef production forecast to hit 2.34 million tonnes cwt in 2017 (up 8.1 per cent on 2012), as adult cattle slaughter starts to reach levels that impact total herd numbers.

Australia's beef exports are expected to continue to increase. The USA is forecast to be the fastest expanding market (in volume terms) in 2013 for the second year running. Growth is also expected to continue in most of the smaller Asian markets, along with the Middle East, while the increased access for Australian beef into Europe is expected to again assist grainfed exports.

Markets for Australian beef that are forecast to be tougher in 2014 include the major markets of Japan and Korea, along with Indonesia and Russia.

MLA see the outlook for the live cattle sector continuing to be tough, with tightening import permits into Indonesia impacting on the viability of northern Australian producers. A further reduction in import permits in 2014 is expected to increase the pressure for cattle producers to find alternative markets, which will be accentuated if the 2013–14 wet season continues to be below expectations. However, judging by the limited success in expanding live export markets over the past year, the longer term outlook for the trade still seems heavily reliant on Indonesia.

Opportunities

- There is increasing demand for quality protein due to rising incomes in a range of emerging market economies.
- Opportunities exist for increased exports to the United States as the US cattle industry is expected to enter a rebuilding phase, characterised by lower cow slaughter and reduced domestic manufacturing beef production.
- Opportunities exist for increased beef exports to the Republic of Korea as their beef production is likely to fall as more producers take advantage of government subsidies to exit the industry because of poor profitability.
- Vietnam is likely to become an increasingly important market for live cattle exports in the short term. Vietnam, the Philippines and Malaysia are important markets for northern Australian cattle producers because they impose no restrictions on the number of cattle imported or on cattle weight.

Challenges

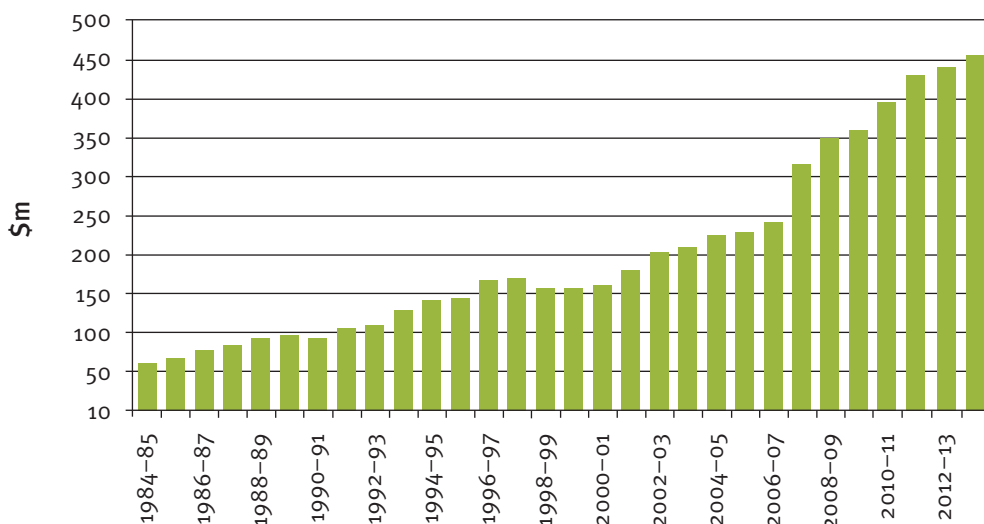
- Increased competition in the Japanese market is expected from the US beef industry.
- Competition from other beef exporting countries in the Chinese market is expected to increase.
- Maintaining Queensland's disease-free status

Poultry

Past trends

The gross value of poultry meat has broadly increased since 2001–02, with particularly strong growth from 2007–08 onwards. This mainly reflects production growth but also a small contribution from price increases.

Figure 6.4 Value of poultry meat produced in Queensland



Source: Value of agricultural commodities produced, Australia (various years), ABS, cat. no: 7503.0

Forecasts

Growth in national poultry meat industry revenue is forecast to be moderate over the medium term according to IBISWorld, whilst ABARES forecasts strong industry growth in terms of gross value of production²³ (see Figure 6.5). Underpinning both ABARES and IBISWorld forecasts is an assumption of consecutive growth in the levels of production, supported by increases to poultry prices both at the retail level and to a lesser extent at the farm gate.

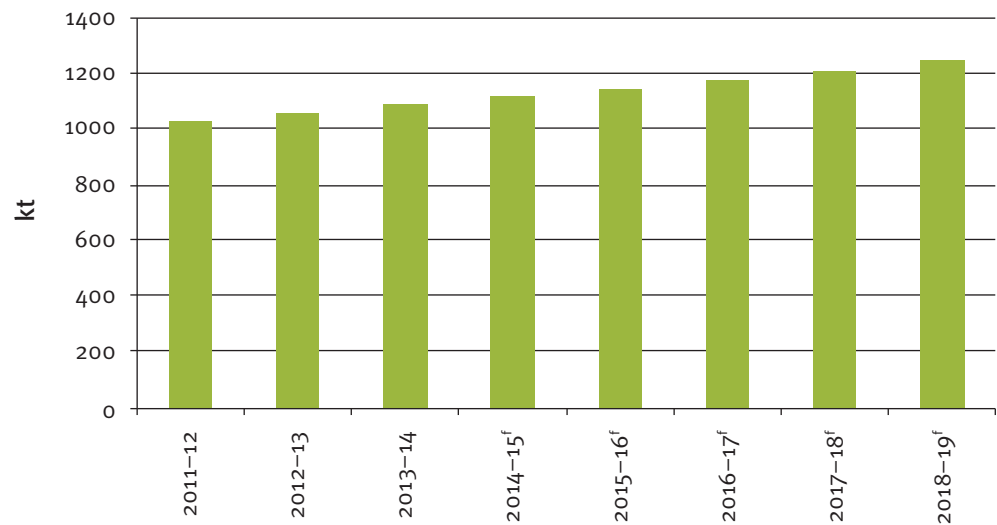
Production growth in the poultry industry is forecast over the medium term to be characterised by two main factors—productivity improvements and increases to the quantity of poultry being produced. Continued genetic improvements are expected to allow producers to improve productivity through increases to meat yield per bird, feed conversion efficiency and disease resistance.

Growth in the poultry industry over the medium term is expected to be supported by an increase in per capita chicken meat consumption, as it retains its price competitiveness against substitute meats such as beef, lamb and pig meat. Australian consumption per person is projected to increase to 47.7 kilograms in 2018–19, which is an 8.4 per cent increase from 2011–12.

² Sivasailam, N 2012, *IBISWorld Industry Report C2112: Poultry processing in Australia*, IBISWorld, Melbourne, p.7

³ *Agricultural Commodities*, Volume 4, Number 1, March quarter 2014, ABARES

Figure 6.5 Forecast growth in Australia's poultry production



^f forecast

Source: ABARES, 2014

Queensland poultry meat export growth should mirror the ABARES projection for national poultry meat exports to 2017–18. ABARES does not project imports of poultry meat.

Opportunities

- There may be opportunities for further automation and efficiencies in poultry production systems over the medium term. When coupled with genetic improvements, these opportunities will allow for more efficient feed conversion and will also help the industry stay competitive, increase profits and limit price increases.
- There are favourable prospects for an increase in the export of value-added poultry products, exotic poultry and specialty poultry products such as chicken feet for Asian markets.

Challenges

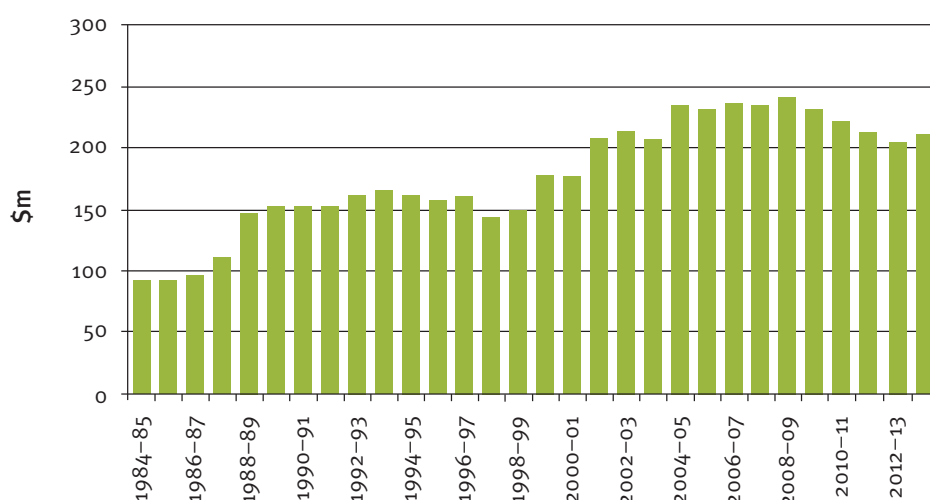
- The poultry industry is expected to face increasing competition from substitute meats such as beef and lamb. The price competitiveness of poultry meat may come under threat as more red meat (beef and lamb) is sold on the domestic market due to the high Australian dollar and weaker export markets. Furthermore, red meat industries have produced campaigns that raise awareness about the health benefits of red meat.
- The likelihood of increased import of processed meats will be a significant concern over the medium term as they will compete with domestic supplies. Importation requirements are a key concern for biosecurity to ensure that the Australian poultry industry remains free of diseases such as avian influenza.
- Maintaining disease-free status in the face of sporadic outbreaks of avian influenza through appropriate and timely responses.

Pigs

Past trends

The gross value of production (GVP) for pig meat has been variable over the past decade, falling over the four years leading up to 2012–13, but it is now expected to recover slightly to \$210 million in 2013–14 (see Figure 6.6). This period of decline reflected strong import competition and declining export returns which, in turn, partly reflected the strong Australian dollar.

Figure 6.6 Value of pig meat produced in Queensland



Source: Value of agricultural commodities produced, Australia (various years), ABS, cat. no: 7503.0

Forecasts

Queensland pig meat production and prices are forecast to be slightly higher than the national average in the coming five years according to Queensland Pork Producers Inc. Similarly, exports are likely to be slightly above the national average in the coming five years. This is partly due to Queensland's proximity to major Asian export markets, meaning lower freight times.

Growth in national pig meat industry revenue is expected to be marginal over the next five years according to IBISWorld.⁴ The high Australian dollar has encouraged high import growth over the past few years and this impact will continue, albeit at a slower pace. Increased competition from other meat industries will also contain industry revenue and profit.

The quantity of pig meat from pigs slaughtered appears to have stabilised over the past few years. Therefore, more pigs will be needed to increase the supply of pig meat in the future. Fresh pig meat production is projected to increase by 2018–19 while processed pig meat production is projected to fall due to greater import competition, according to ABARES.⁵

⁴ Outlaw, K 2012, *IBISWorld Industry report AO151: Pig farming in Australia*, IBISWorld, Melbourne, p.4

⁵ *Agricultural commodities*, Volume 4, Number 1, March quarter 2014, ABARES

Growth in the national export of pig meat is forecast by the ABARES to slowly grow in the years to 2018–19, following a fall in 2012–13.⁶ The value of exports is projected to increase to \$93 million in 2016–17 and then fall to \$92 million in the following two years. Export prices are projected to decline by 1.7 per cent from 2013–14 to 2018–19, whilst the volume of pig exports is projected to increase by 10 per cent over the same period to 30 000 tonnes in 2018–19.

Statistics on Queensland show pig meat export volumes and prices trending upwards over the five years to 2011–12.⁷ The value of pig meat and associated processed products from Queensland was \$35 million in 2011–12, with most being either fresh or chilled swine meat or frozen swine meat. However, this figure decreased to \$21 million in 2012–13.

The introduction of sow stall-free pig production from 2017— a consumer-driven, yet economically less efficient means of producing pig meat—is likely to squeeze the profit margins of domestic producers.

Opportunities

- Increasing domestic and international demand.
- Establishing new niche markets, such as organic free-range pigs (this costs more to produce but can command a 100 per cent higher price).
- Adopting technology and improved feed-grain preparation to increase the metabolisable energy content of grain.

Challenges

- Competition from substitute meats
- Increasing input costs
- Water availability for new development
- Significant challenges in terms of animal welfare

⁶ *Agricultural Commodities*, Volume 4, Number 1, March quarter 2014, ABARES

⁷ Trade data – commodity and industry, Exports, 2014, OESR

Sheep and lambs

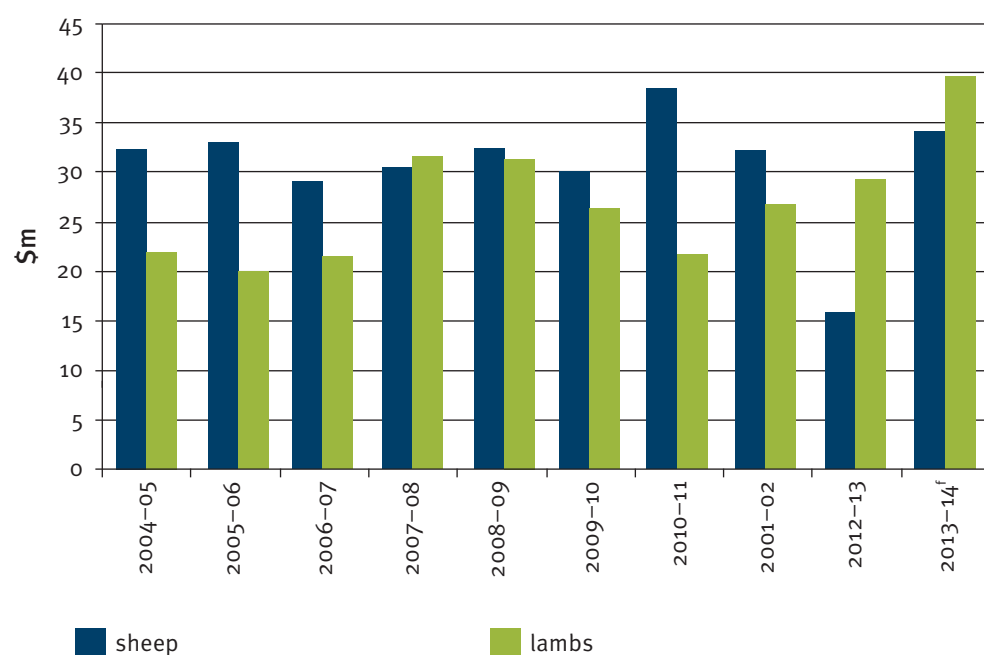
Past trends

The sheep meat industry in Queensland has gone through significant structural change over the past two decades. In the five-year period from 1999 to 2003 Queensland's sheep flock declined by almost 60 per cent to 4.43 million.⁸

Much of this decline can be attributed to a decline in global demand for wool in the early 1990s, coupled with severe drought conditions in Queensland's sheep regions in the early 2000s. These factors led to many producers leaving the sheep industry, and a shift from using sheep for wool to using them for sheep meat. The resulting loss of industry infrastructure and increased dog predation accelerated the decline.

Throughout the last decade real sheep and lamb GVP has been variable, with a lower GVP on average across 2003–04 to 2007–08 versus 2008–09 to 2012–13 (see Figure 6.7). Both sheep and lamb prices reached highs in 2010–11 in response to lower slaughter rates as favourable seasonal conditions saw producers rebuild flocks (see Figure 6.8).

Figure 6.7 Queensland GVP – sheep and lamb

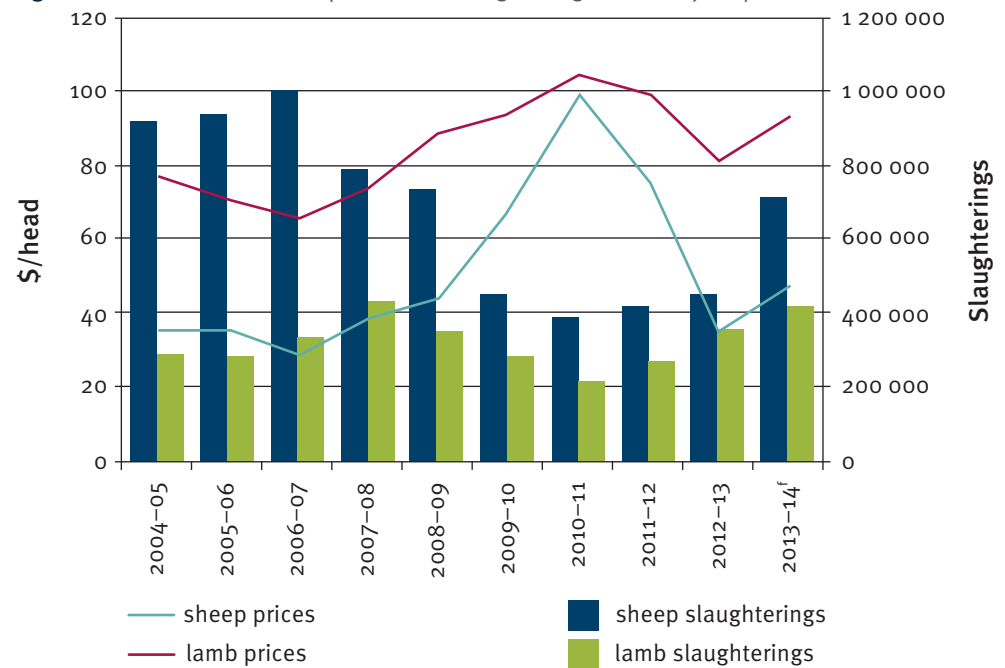


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Sources: *Prospects* and *Queensland's primary industries trends*, 2012, both sources from DAFF

⁸ Principal agricultural commodities, Australia, 1998–99, Australian Bureau of Statistics, 1999, 7111.0

Figure 6.8 Queensland sheep and lamb slaughterings and saleyard prices



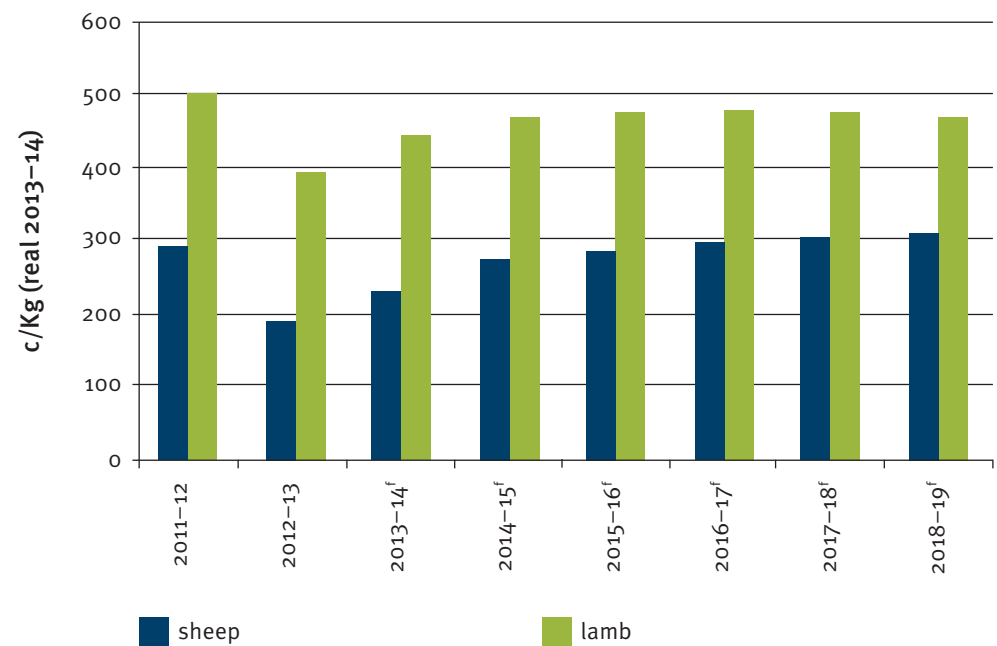
^f forecast

Source: ABS unpublished slaughter data; *Queensland's primary industries trends*, unpublished data; DAFF, Queensland Government, Brisbane

Forecasts

The ABARES forecasts that sheep and lamb meat saleyard prices will ease in real terms over the medium term due to a projected rise in sheep and lamb slaughter rates (see Figure 6.9). Flock rebuilding is expected to continue to increase at a gradual rate over the medium term.

Figure 6.9 Forecast Australian saleyard prices for sheep and lamb

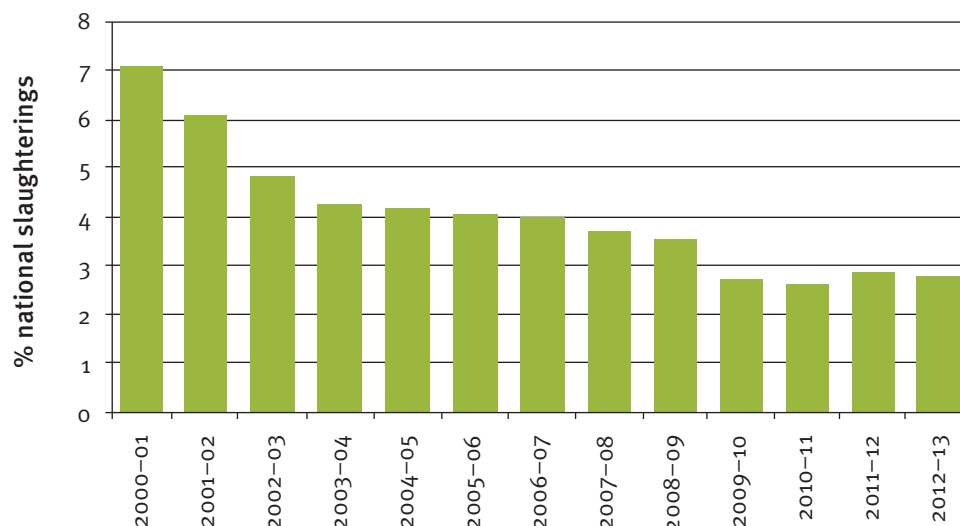


^f forecast

Source: *Agricultural commodities*, Volume 4, Number 1, March quarter 2014, ABARES

According to unpublished slaughter data from the ABS, Queensland's share of national sheep and lamb disposals was 7.1 per cent in 2000–01. Since then, Queensland's market share has continued to decline, holding at around 4 per cent from 2003–2007 and then falling to current levels of approximately 2.8 per cent of national disposals (see Figure 6.10).

Figure 6.10 Queensland sheep and lamb slaughterings as a percentage of the national market



Source: ABS unpublished slaughter data; *Agricultural commodities*, various years, ABARES

Australian sheep and lamb meat exports have been steadily increasing since 2002–03. The ABARES forecasts that export volumes will continue to increase over the medium term as production grows. Queensland's fresh, chilled and frozen sheep meat export volumes have been increasing since 2006–07 and were valued at \$59 million in 2012–13⁹, which was an increase of 70 per cent since 2008–09.

Export increases are being driven by demand from the Middle East and China, with China being the third largest market for Australian lamb. China and other developing Asian economies are expected to stimulate further demand for Australian lamb exports over the medium term, as red meat consumption increases and incomes rise.

The ABARES forecasts lamb consumption to remain steady over the medium term at 9.3 kilograms per person. Domestic mutton consumption is also forecast to remain steady over the medium term at around 0.3 kilograms per person¹⁰, implying slow trend growth in line with population growth.

⁹ Trade data – commodity and industry, Exports, 2014, OESR

¹⁰ *Agricultural Commodities*, Volume 4, Number 1, March quarter 2014, ABARES

Opportunities

- Over the medium term, the Middle East is likely to grow as an important destination for Australian lamb exports.
- Emerging south Asian markets, including China, are expected to provide a growing market for Australian and Queensland lamb exports.

Challenges

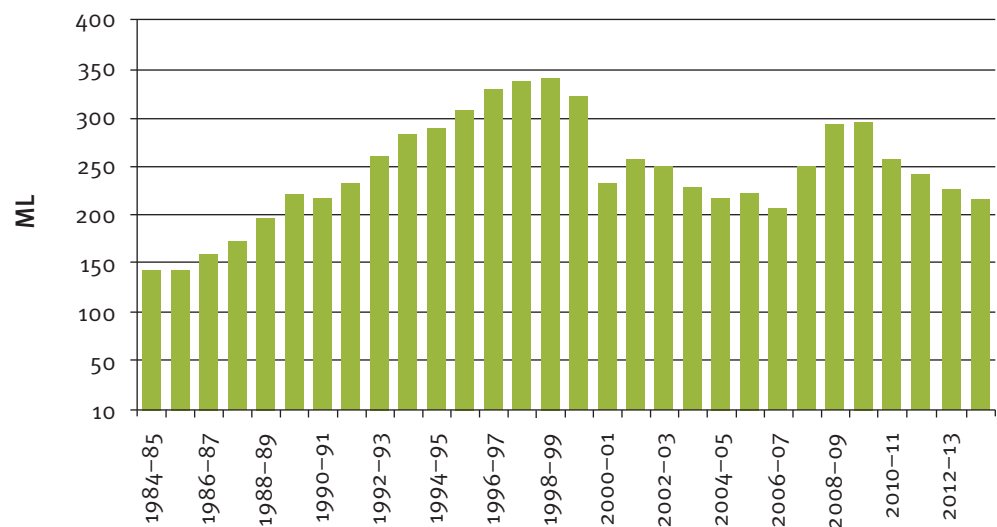
- There is increasing competition from substitute meats both domestically and internationally. Beef, pig and chicken meat compete with sheep and lamb meat.
- Ongoing competition from New Zealand for sheep meat export markets as the NZ–China free trade agreement disadvantages Australian sheep meat trade to China.
- Over the medium term, the Australian sheep live export trade relies on compliance with animal welfare standards and correct implementation of the Exporter Supply Chain Assurance System (ESCAS).

Milk

Past trends

Queensland's milk production GVP declined in the early 2000s, with a short-lived recovery in 2007 to 2009 before the declining trend resumed in subsequent years (see Figure 6.11).

Figure 6.11 Queensland GVP – dairy production



Source: QDPI&F (1997–98 to 2011–12); ABS (1997–98 to 2010–11); DAFF (2011–12 to 2013–14)

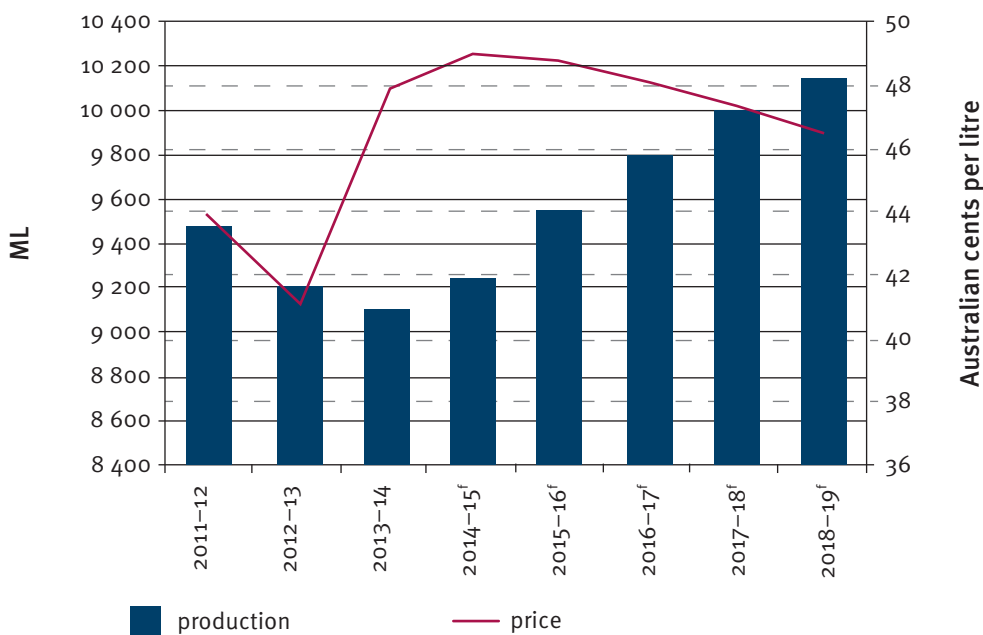
Forecasts

The Australian farm gate price for milk is forecast to increase by 16 per cent in 2013–14 to average around 47.7 cents per litre. Higher world prices forecast for dairy products will increase unit returns for Australian dairy exporters. Australian farm gate prices for milk are projected to fall slightly over the outlook period to reach around 46.5 cents per litre (in 2013–14 Australian dollars) in 2018–19.¹¹ Markets are expected to remain highly-competitive in the face of low growth in volumes and limited scope for price rises.

Australian milk production is forecast to decrease by 1 per cent in 2013–14 to 9.1 billion litres. Milk production in dairy regions, such as Queensland, that are more reliant on the drinking milk market is forecast to decline by around 2 to 4 per cent in 2013–14.

Over the medium term, Australian milk production is projected to rise to reach around 10.1 billion litres in 2018–19, reflecting further increases in milk yield per cow and to a lesser extent, increases in dairy cow numbers.¹² Significant improvements to water availability for irrigation in northern Victoria and southern New South Wales is expected to support further expansion of milk production in those regions.

Figure 6.12 Australian milk production and price



^f forecast

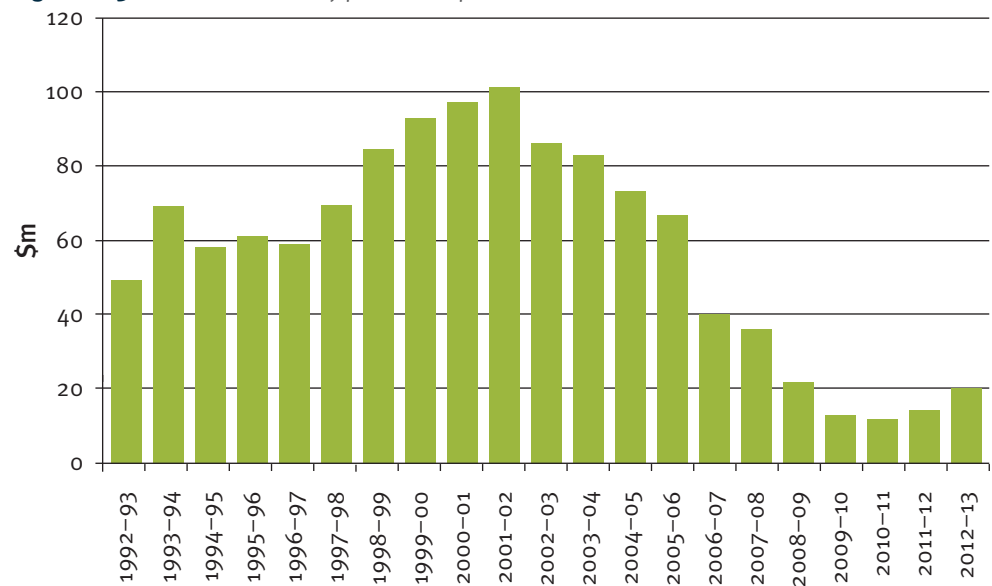
Source: *Agricultural commodities*, Volume 4, Number 1, March quarter 2014, ABARES

Due to reduced production over the past decade, the value of Queensland's overseas exports of dairy products has fallen significantly from just over \$100 million in 2001–02 to just under \$20 million in 2012–13 (see Figure 6.13).

¹¹ *Agricultural commodities*, Volume 4, Number 1, March quarter 2014, ABARES

¹² *Agricultural commodities*, Volume 4, Number 1, March quarter 2014, ABARES

Figure 6.13 Queensland dairy product exports from 2001–02 to 2011–12



Source: Trade data – commodity and industry, 2013, OESR

The total value of Australian dairy exports is forecast to decline by 2 per cent in 2013–14 to \$2.2 billion, reflecting lower average world dairy product prices. Over the medium term, the total value of Australian dairy exports is projected to steadily rise to around \$3.6 billion in 2018–19.

Australian exports of dairy products are concentrated in the Asian region, which accounted for around three-quarters of the total value of dairy exports in 2010–11. Japan is the most important market, accounting for 16 per cent of the value of dairy exports and importing just under half of Australia’s total cheese exports.

Globally, demand for dairy products over the medium term is expected to be solid, led by China and South-East Asia. There is a strong supply response from all major exporting regions as favourable seasonal conditions prevail.

Over the medium term, world dairy product prices in real terms are projected to decline slowly yet still average around 20 to 30 per cent higher than average prices over the five years to 2006–07. Dairy products in developing countries are expected to provide some support to world dairy prices over the next few years. However, an expected increase in the supply of dairy products in the main producing and exporting countries in the second half of the projection period is expected to outpace the projected rise in demand.

Opportunities

- Retailer and consumer interest in supporting niche milk products, such as A2 milk, is expected to grow.
- Population growth and increasing living standards in Asia will create high-value dairy opportunities that could advantage the region.

Challenges

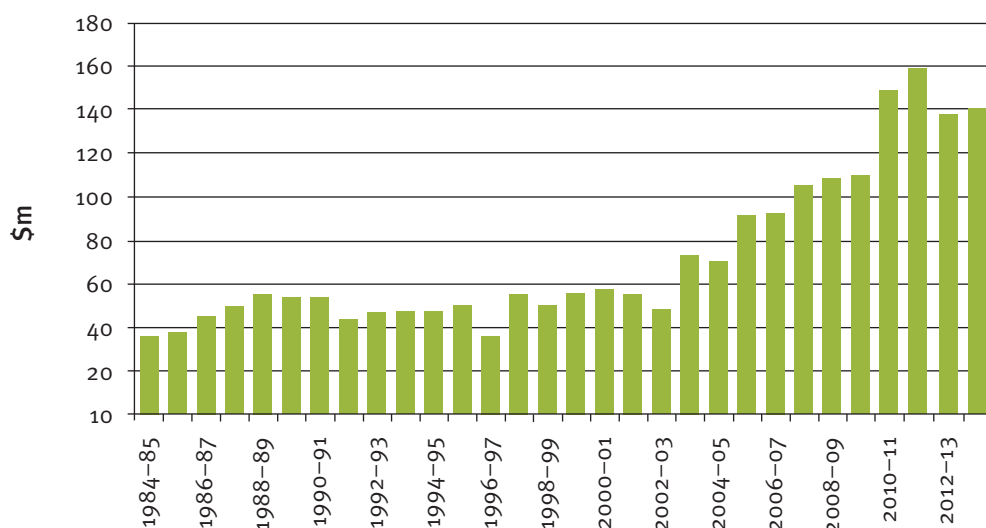
- Increasing input costs and increasing transport costs
- Water availability
- Effluent management
- Ongoing improvements in the competitiveness of interstate producers
- Increasing community scrutiny of livestock production systems and practices

Eggs

Past trends

Following a decade of rapid increases, the value of egg production in Queensland peaked in 2011–12. Despite slipping back somewhat, it still remains at historically high levels (see Figure 6.14).

Figure 6.14 Value of eggs produced in Queensland



Source: *Value of agricultural commodities produced, Australia* (various years), ABS, cat. no: 7503.0

The GVP increase reflects both the increasing production of eggs and, to a lesser extent, price increases. The higher than average local unit value may reflect the shift by Queensland egg producers towards higher-value egg production, such as free range.

Forecasts

According to the Queensland Egg Farmers Association and Queensland United Egg Producers, trends in Queensland egg production and prices are forecast to be similar to national trends over the coming five years.

National egg industry revenue is forecast to grow by 12 per cent over the five years to 2016–17 according to IBISWorld.¹³ Industry consolidation is expected to lead to higher productivity, economies of scale and profitability. Greater demand for value-added eggs should mean higher farm gate prices and that a slight rise in consumption is forecast.

As health concerns over egg consumption have abated and prices for protein substitutes eventuate, egg prices should increase due to increased national consumption, growth in disposable incomes, and a shift towards higher value egg products such as free-range eggs.

Opportunities

- Safe food regulation of the egg market to improve food safety.
- Research into alternative foods to reduce bird production costs.
- The changing market structure from cage eggs to free range and organic eggs may provide some opportunities for existing producers to increase their market share.
- Research and development opportunities exist to improve food safety and examine alternatives to reduce reliance on antibiotics.

Challenges

- Land planning and placement of egg farms
- High cost of feed and capital expenditure for new animal welfare standards
- Environmental and natural resource issues associated with sustainable production systems
- Prices at the farm gate are expected to be negatively affected by increasing dominance of private-label eggs.
- The industry is expected to face increased regulatory and consumer demands regarding animal welfare, the environment and quality assurance. Any changes to regulations or consumer demand are likely to continue to put downward pressure on profit margins.

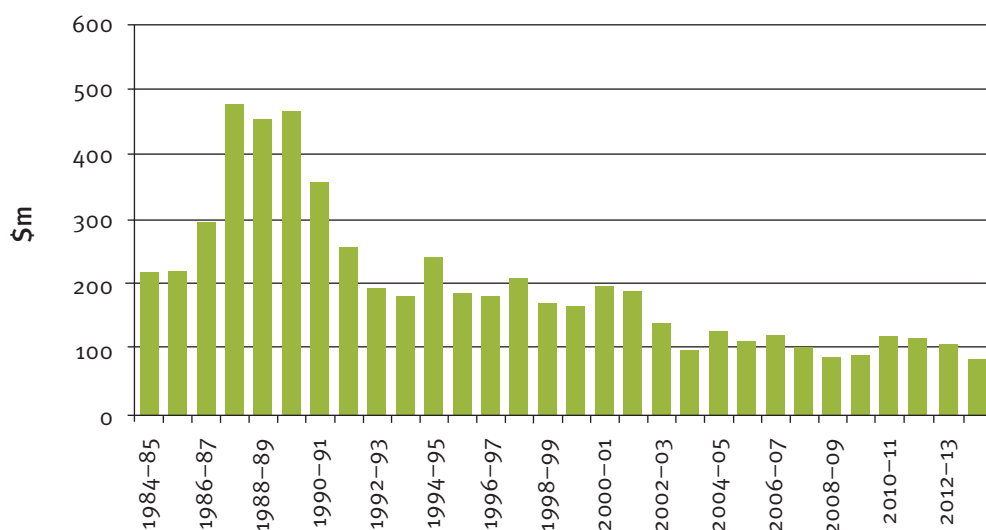
¹³ Outlaw, K 2012, *IBISWorld Industry Report A0142: Eggs farming in Australia*, IBISWorld, p.33

Wool

Past trends

The wool industry in Queensland has been through significant structural change over the last two decades, with sheep numbers falling dramatically since 1991. Sheep numbers are now approximately one fifth of what they were in 1991.¹⁴ Many producers left the sheep industry in favour of cattle production, while others changed their use of sheep for wool production to meat production. Loss of industry infrastructure and increased dog predation accelerated these trends. Wool GVP has been broadly stable since 2003–04.

Figure 6.15 Queensland GVP – wool



Source: QDPI&F (1997–98 to 2011–12); ABS (1997–98 to 2010–11)

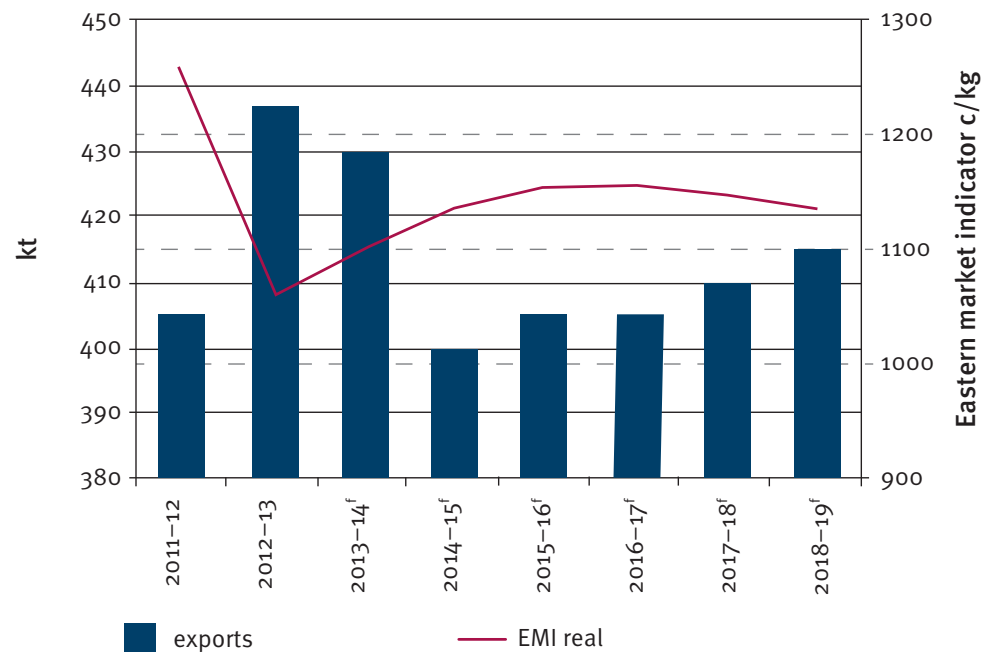
Forecasts

The ABARES forecasts that Australia’s wool industry will grow steadily, with prices expected to peak at 1155 cents a kilo in 2015–16 and decline slightly in the following three years (see Figure 6.16).

Queensland wool production is expected to follow the national trend over the medium term with shorn wool production (greasy) forecast to increase gradually over the medium term. Other wool production is expected to remain stable.

¹⁴ Historical selected agriculture commodities by state (1861 to present), 2010–11, ABS, 7124.0

Figure 6.16 Australian wool industry forecasts – export quantity and price



^f forecast

Source: *Agricultural Commodities*, Volume 4, Number 1, March quarter 2014, ABARES

The ABARES forecasts that the volume of wool exports will decline by 7 per cent in 2014–15 to 400 000 tonnes, in line with forecast decreases in Australian wool production. Wool exports are forecast to grow steadily to 415 000 tonnes in 2018–19, in line with expected growth in wool production. Increases in the AWEX eastern market indicator are expected to somewhat offset the forecast production decline from 2013–14 to 2014–15. As such, the value of Australian wool exports are forecast to decline less than the export volume, at 4.8 per cent in 2014–15.

The main substitutes for wool are synthetics, mainly polyester and acrylic, and other natural fibres such as cotton. Over the medium term, these alternative fibres pose the greatest risk to the wool industry due to continued investment in improving production capacity and fibre characteristics. From 1990 to 2012 synthetics increased their share of world fibre production from 40 to 61 per cent.¹⁵ In 2012, wool—a niche fibre used in the production of luxury goods—constituted 1.3 per cent of the market.

Opportunities

- Rising market prices
- Gradual recovery of demand
- Product diversification based on quality and environmentally friendly labelling.
- Implications of wool production becoming a demand-driven, ‘boutique’ operation.

¹⁵ *Agricultural Commodities*, Volume 4, Number 1, March quarter 2014, ABARES

Challenges

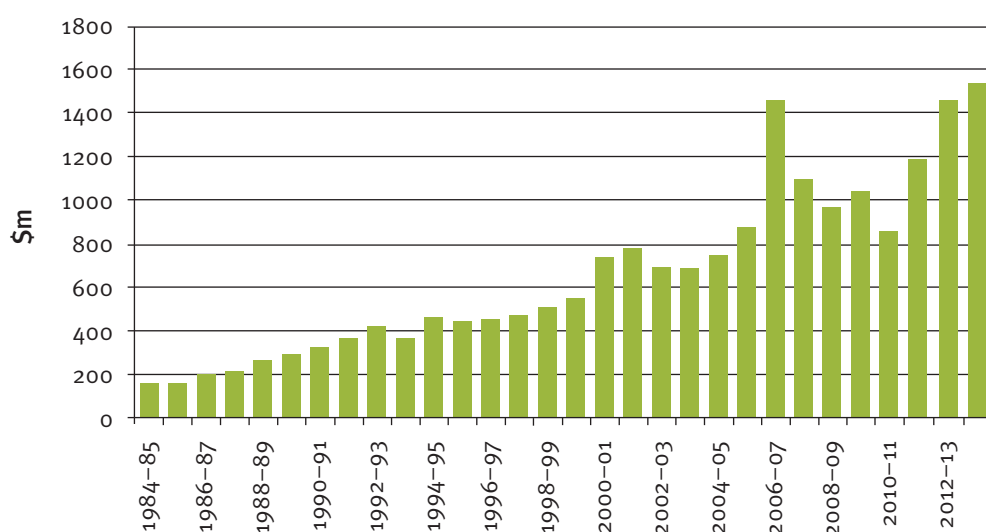
- Adopting new and innovative technologies, particularly those that require economies of scale.
- Raising the productivity and profitability of existing operators.
- On-farm diversification of those operators with diversified activities, for example sheep/beef and sheep/grain farms have, on average, enjoyed consistently higher productivity and profitability levels than specialist sheep operators.
- Deterioration of capital and infrastructure
- Management of wild dogs
- Long-term competition from synthetics

Fruit and nuts

Past trends

Fruit and nut GVP has been trending upwards for many years, albeit with some year-on-year variability reflecting seasonal conditions such as cyclones (see Figure 6.17).

Figure 6.17 Queensland GVP – fruit and nut production

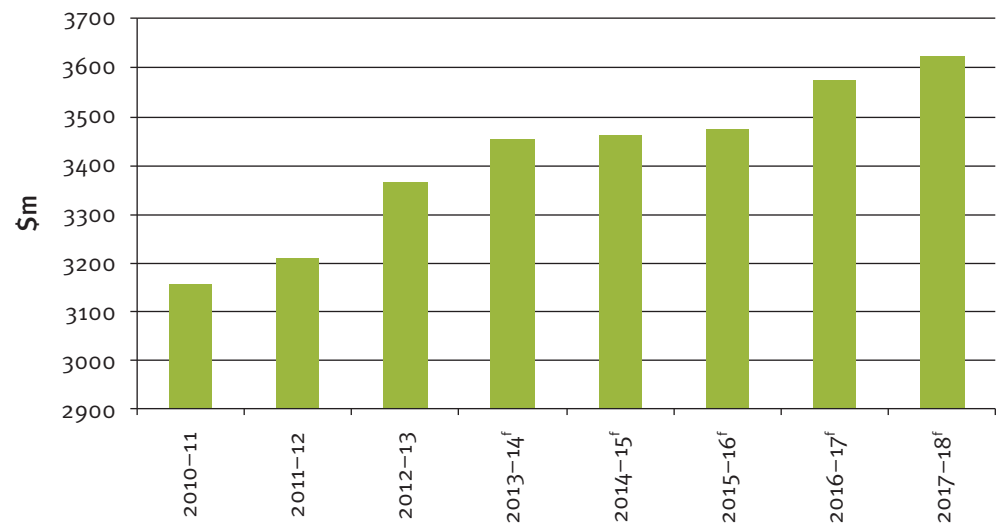


Sources: Value of agricultural commodities produced, Queensland, ABS, cat. no. 7503.3; Value of agricultural commodities produced, Australia, ABS, cat. no. 7503.0; Agriculture, Queensland, ABS, cat. no. 7113.3; unpublished ABS data; *Agtrends Update*, DAFF

Forecasts

The gross value of Australian fruit production is forecast to increase by 3 per cent in 2013–14 to \$3.45 billion. Over the medium term to 2017–18, the gross value of the Australian fruit industry (excluding wine grapes) is projected to increase to approximately \$3.6 billion (in 2012–13 dollars) (see Figure 6.18).

Figure 6.18 Forecast GVP – Australian fruit and nuts

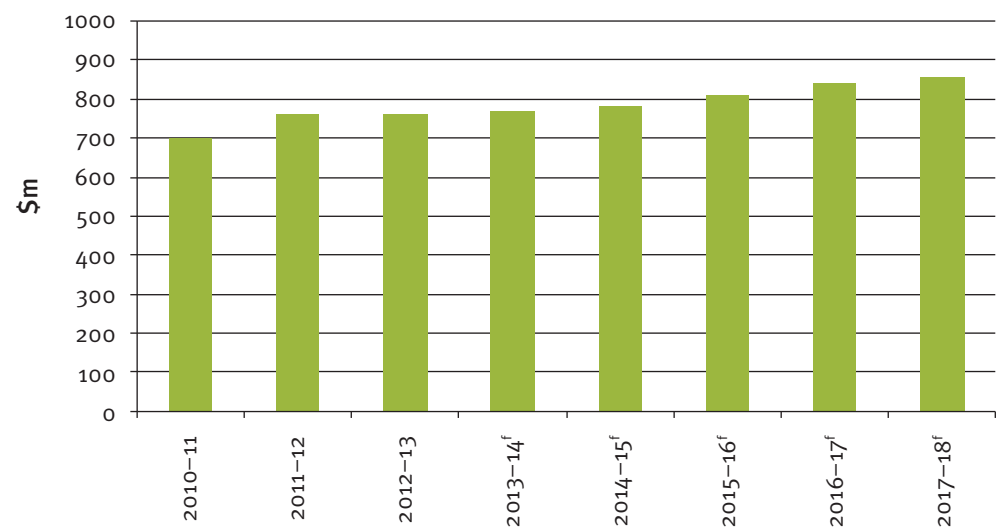


^f forecast

Source: *Agricultural commodities*, March quarter 2013, ABARES

Australian fruit exports are projected to rise, increasing to around \$577 million (in 2012–13 dollars) by 2017–18 (see Figure 6.19). Queensland is expected to follow this national trend with increasing exports over the medium term.

Figure 6.19 GVP – Australian fruit and nut exports



^f forecast

Source: *Agricultural commodities*, March quarter 2014, ABARES

Over the past decade, two cyclones (Cyclone Larry in 2006 and Cyclone Yasi in 2011) affected banana production in northern Queensland, resulting in extremely high domestic banana prices for short periods. Producers have now recovered from Cyclone Yasi as yields are increasing and prices return to normal levels. Over the medium term to 2017–18, banana production is forecast to increase to around 325 000 tonnes, in line with a continuing increase in domestic demand and assumed favourable seasonal conditions.

Avocado production in Australia is projected to increase to 70 000 tonnes by 2016–17, compared with 52 800 tonnes in 2010–11. Australian avocado production is domestically oriented, with forecast exports in 2011–12 of only 2200 tonnes. The Australian avocado industry faces strong competition in the domestic market from New Zealand. Australia increased its import of avocados by 58 per cent in 2011 to a record 14 700 tonnes from New Zealand—which is the only country that currently meets Australia’s quarantine requirements.

Mango production in Australia is projected to grow to 77 000 tonnes in 2016–17, compared with a forecast 63 000 tonnes in 2011–12, but production and fruit quality are likely to remain highly variable from year to year.

Opportunities

- There is potential for the growing areas of some crops to expand in Queensland, aided by reduced competition due to decreased production in the Murray-Darling Basin.
- Queensland is able to supply export and domestic markets all year round, or in some cases for some crops, earlier than other states and territories.
- Development of new markets, improved marketing, adoption of new technologies and improved management practices. For example, environmental and water quality management will provide growth opportunities for Queensland’s fruit and nut industry.
- The emergence of new export markets and the expansion of value-added processes will increase demand for Queensland’s fruit and nut industry.

Challenges

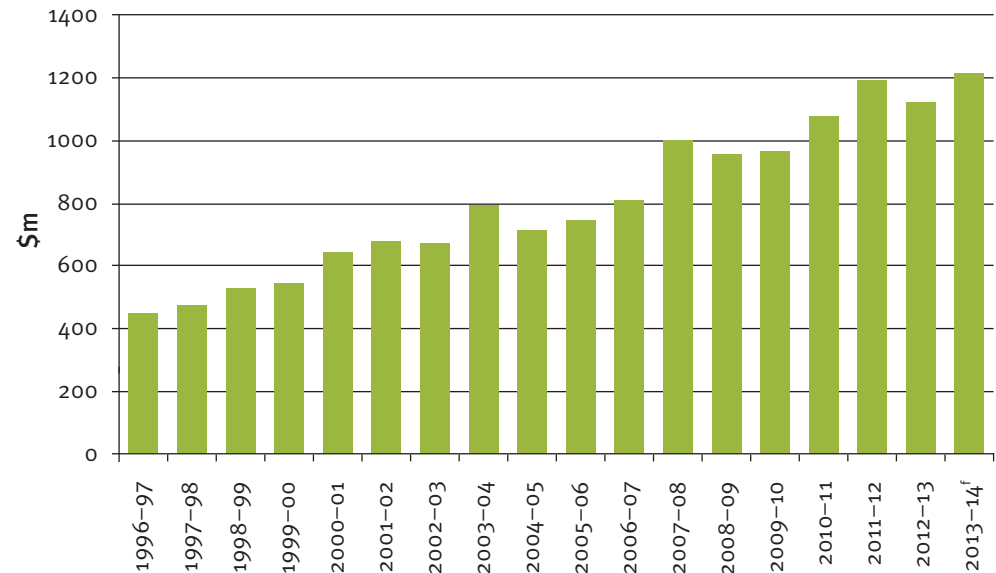
- Labour availability and efficiency
- Low market prices
- Pests and diseases
- Vulnerability due to concentrated production regions for some crops, for example banana production is vulnerable to natural disasters as more than 40 per cent of Australian production is in Far North Queensland.
- Potential import competition due to the possibility of more product meeting quarantine requirements.

Vegetables

Past trends

The GVP of vegetables in Queensland is also trending upwards (see Figure 6.20).

Figure 6.20 Queensland GVP – vegetable production



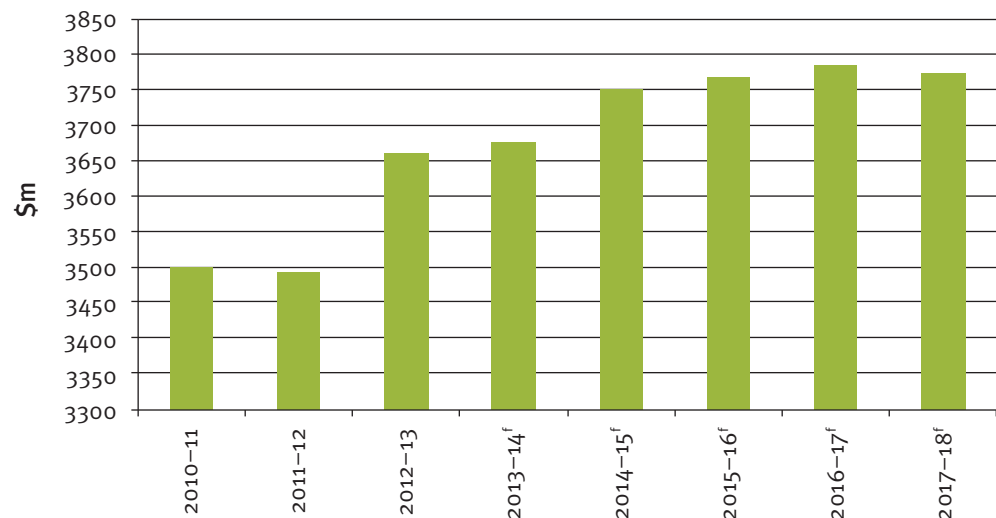
^f forecast

Sources: DPI&F (1996-97 to 2011-12); ABS (1996-97 to 2010-11); DAFF

Forecasts

By 2017-18, the GVP of Australian vegetable production is projected to increase to \$3.77 billion in real terms, compared with \$3.65 billion in 2012-13 (see Figure 6.21).

Figure 6.21 Australian GVP – vegetable production in 2010-11 to 2017-18



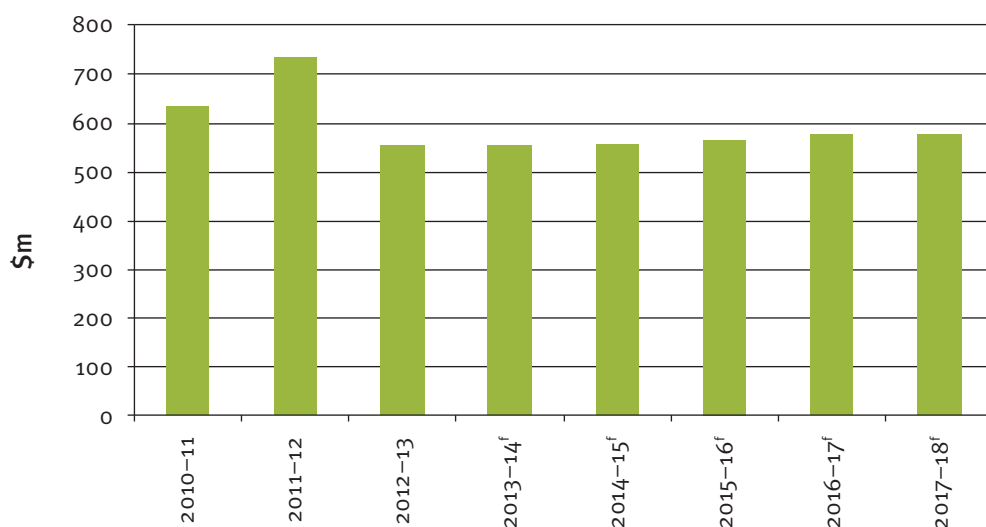
^f forecast

Source: Agricultural commodities, ABARES

According to the ABARES, strong growth is projected in world demand for vegetables, driven by world population and income growth, particularly in India and China. The fastest growing food type over the last decade has been horticultural products, with vegetables being one of the top five products. World trade in vegetables has also experienced strong growth since 2000, as the increase in fresh vegetables has been significant, growing at an annual average of 7 per cent.

After a forecast decline of 22 per cent, the value of Australian vegetable exports is forecast to increase by 3 per cent in 2013–14 to \$570 million, before rising marginally to \$577 million (in 2012–13 dollars) in 2017–18 (see Figure 6.22). This increase reflects strong export demand for pulses, while exports of other vegetables are expected to remain relatively flat.

Figure 6.22 Australian GVP – vegetable exports in real terms (2011–12)



^f forecast

Source: Agricultural commodities, March quarter 2013, ABARES

Opportunities

- Increases in export prices and demand can be achieved at the margin by:
 - improving access into export markets
 - differentiating products
 - improving quality.
- Increases in domestic demand through taste shifts may be possible through:
 - product differentiation
 - improved quality
 - packaging and partial processing
 - publicity about desirable attributes.

Challenges

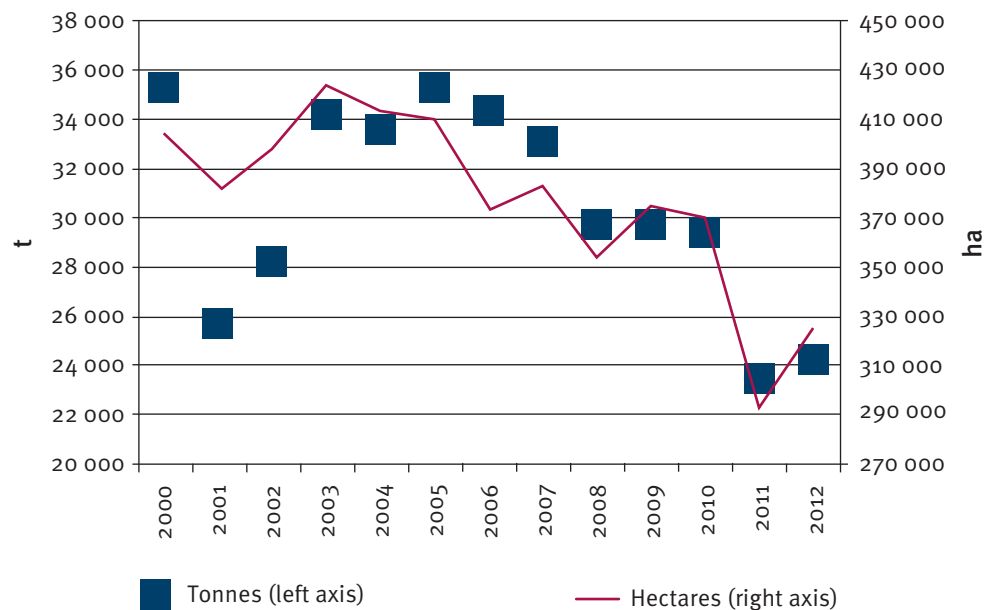
- Imports are increasing in some industries due to competitors meeting import barriers that keep quarantine risks out.
- Vegetable production remains highly-diverse and fragmented in some areas.
- Creating strategic alliances through greater coordination and engagement with producer associations and grower groups.
- Stronger relationships between research and commercial realities, resulting in transfer of deeper demand signals to researchers.
- Seeking greater productivity through capital intensive technologies.

Sugar

Past trends

Harvested cane area has been declining in Queensland between 2000 and 2012 (see Figure 6.23). Seasonal conditions affected harvested area year-to-year and had further impacts on the quality of the harvested cane.

Figure 6.23 Harvested sugar cane area and tonnage



The sugar price that Australian producers received increased after its 20-year low in 2003. Improving international sugar prices have counteracted the strength of the Australian dollar over the last decade, while the recent decline in the value of the dollar mitigated a drop in sugar prices.

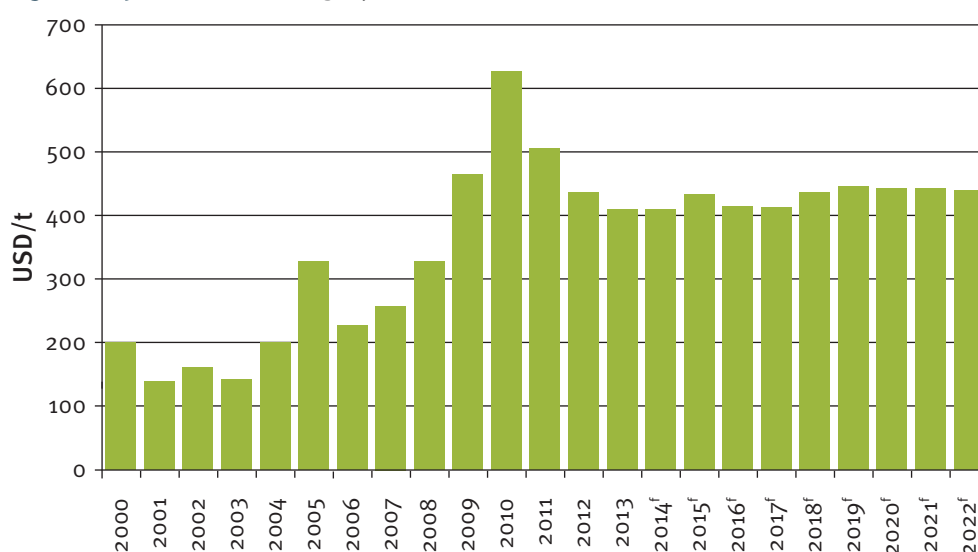
New ownership structures in the milling sector removed the uncertainty that prevailed for many years. End of compulsory single-desk marketing still left Queensland Sugar Limited (QSL) selling the large majority of Queensland's crop.

Forecasts

The OECD/FAO and the ABARES expect the global sugar market to be balanced over the medium term. Production is forecast to increase in Brazil, Mexico, Thailand, the European Union and Eastern Europe. Global sugar demand is forecast to grow by between 1.4 per cent (ABARES) and 1.9 per cent (OECD/FAO) per annum.

The ABARES expect high current international sugar stocks to shrink, due to demand driven by increasing incomes in developing countries and decreasing world exports. In addition to inherent market developments, crude-oil prices put an effective floor under those prices for sugar via Brazil's ethanol policy. Figure 6.24 shows international sugar prices since 2000 and projections to 2022.

Figure 6.24 International sugar prices



^f forecast

Source: Agricultural Outlook 2013–2022, OECD/FAO

The ABARES expect that annual growth in cane production of 1.4 per cent will increase sugar production by 1.6 per cent per annum in the medium term. An Australian total of 4.7 million tonnes of sugar by 2018–19 would fall between the 2013–14 estimate and the 1997–98 record of 5.6 million tonnes.

Opportunities

- Adopting best management practices in farming and harvesting to improve efficiencies.
- Nearby Asian markets are creating the greatest increase in demand for sugar.
- The Gilbert-Flinders region is being considered as a potential new sugar production area.
- Realignment of Queensland's milling sector will remove long-standing uncertainties.
- Revitalised research and development with the creation of Sugar Research Australia.
- Better utilisation of by-products to improve profitability.
- Genetic engineering of cane plant to produce alternatives to dietary sugar.

Challenges

- Sugar is the most distorted international agricultural commodity market, mainly due to policies implemented by the USA and the European Union.
- High market volatility due to the small, residual, free market and national agricultural policies, for example in India and Russia.
- The growing negative nutritional image of sugar in developing countries is capping demand.
- Increasing market penetration by use of alternative sweeteners.
- Technological path dependence in the Queensland processing sector limits diversification options.

Cotton

Past trends

Queensland cotton production and GVP have increased significantly since 2007–08 (see Figure 6.25).

Figure 6.25 Queensland GVP – cotton production from 1997–98 to 2012–13



Sources: DAFF (1996 to 2014) and ABS (1996 to 2013)

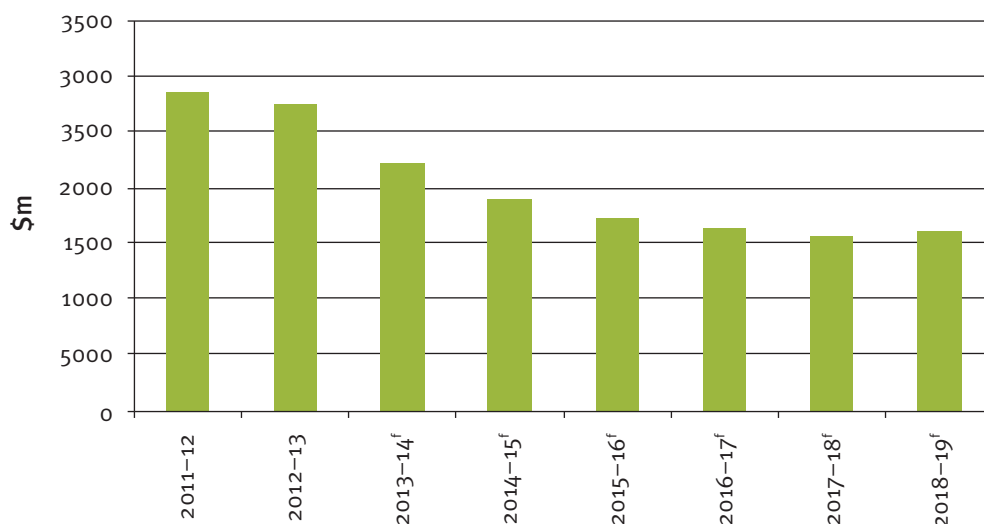
Most of Australia's cotton is exported. Over the past 20 years, Queensland cotton exports have varied from just over \$200 million in 2007–08 to a record \$1.6 billion in 2011–12 with an average of \$612 million per annum.¹⁶ This variability reflects cotton producers rapidly adapting to variable seasonal conditions.

¹⁶ Trade data – commodity and industry, 2013, OESR

Forecasts

The ABARES forecasts that Australian cotton exports will decrease to 729 000 tonnes by 2017–18 before increasing by 10 000 tonnes in 2018–19.¹⁷ However, this figure is much larger than the five-year average to 2010–11 of 383 000 tonnes. From 2014–15 to 2018–19, ABARES forecast the Cotlook ‘A’ index price to increase by nearly 10 per cent. This price increase does not offset all of the forecast quantity reduction, and as such, the value of Australian cotton exports are expected to fall over the medium term (see Figure 6.26).

Figure 6.26 Value of Australian cotton exports in real terms



^f forecast

Source: *Agricultural commodities*, March 2014, ABARES

Opportunities

- Australian cotton is recognised as equal only to Californian cotton, in terms of best quality cotton.
- Australia has the highest average yield of 1991 kilograms per hectare (kg/ha), with Brazil at 1433 kg/ha and Mexico at 1330 kg/ha. China is at 1265 kg/ha and the USA is at 985 kg/ha.
- There is potential for expansion of the cotton industry in northern Australia.
- The rising price of oil and oil-based inputs potentially bodes well for natural fibres such as cotton, at the expense of synthetics.

Challenges

- Engage in whole-of-Government policy and decision-making processes relating to water and resources.
- Potential competition from a range of countries, particularly developing countries located in central Asia and Africa.

¹⁷ *Agricultural Commodities*, Volume 4, Number 1, March quarter 2014, ABARES

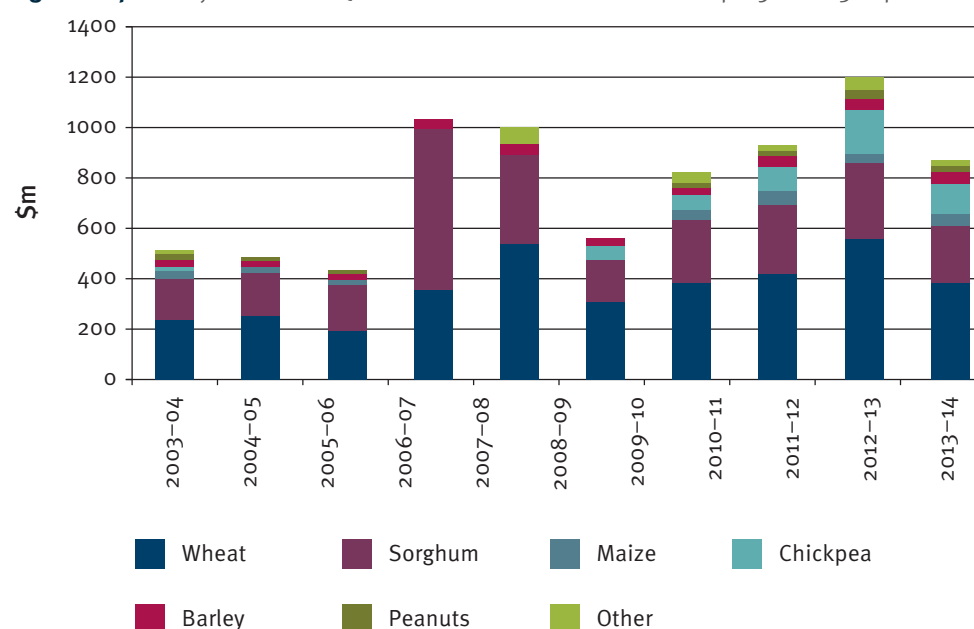
- Recognise and communicate the achievements of the industry to the general public in terms of environmental management (i.e. address the consumer perception that the cotton industry is detrimental to the environment).

Cereal grains

Past trends

The GVP of Queensland cereal grains over a ten-year period (from 2004–05 to 2013–14) was at its lowest point during 2006–07 at \$431 million. It reached \$1.19 billion in 2012–13 when favourable seasonal conditions boosted crop yields on average, coupled with relatively high global grain prices (see Figure 6.27). Average global and domestic grain prices rose overall in 2013–14 compared to 2012–13, due to tight domestic and global supplies. However, yields fell significantly due to widespread drought conditions in south and central Queensland.

Figure 6.27 Ten-year trend in Queensland GVP – cereals from 2004–05 to 2013–14



Sources: *Queensland's primary industries trends*, DAFF, Queensland Government

Forecasts

- Ten year historical data suggests that around 1.55 million hectares of Queensland land is sown for cereal crops per annum. Based on market prospect rankings derived by DAFF, and in conjunction with crop price forecasts¹⁸, some switching has been projected in the area sown between crops. On that basis, here are some of the main projections for Queensland cereal grain production over the medium term to 2018–19:
 - Wheat production is projected to fall by 3 per cent, outweighing a 1 per cent increase in price. This will cause annual GVP to fall 2 per cent below the 10-year average to \$351 million.

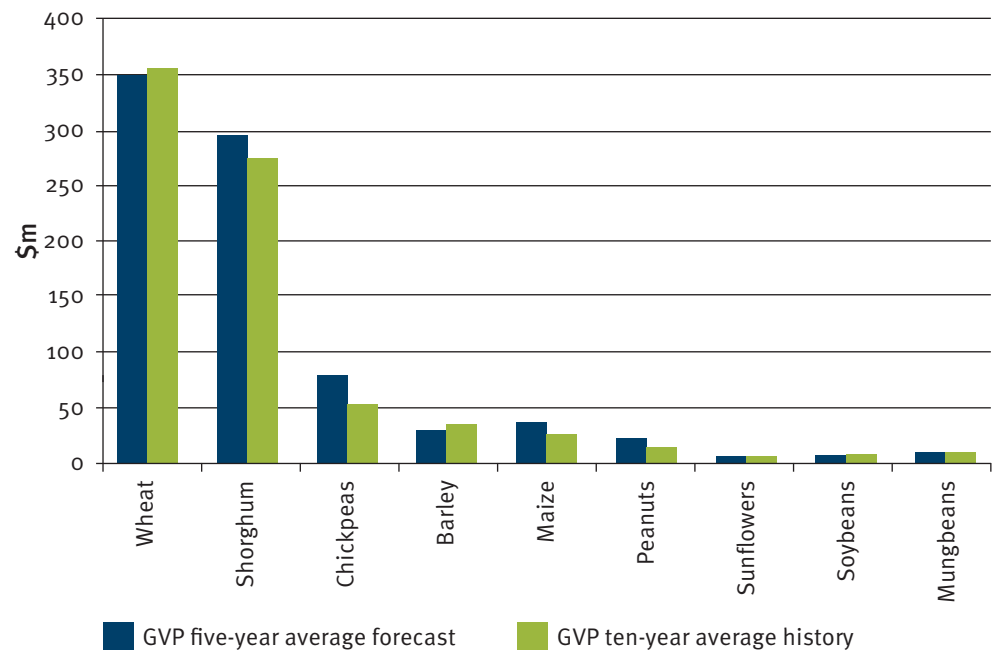
¹⁸ *Agricultural Commodities*, Volume 4, Number 1, March quarter 2014, ABARES

- Sorghum production is projected to fall by 2 per cent, outweighed by a 10 per cent increase in average price. This will generate an 8 per cent increase in average annual GVP to \$296 million.
- Chickpea production is projected to increase by 27 per cent, coupled with a 17 per cent increase in price, taking GVP to an average of \$166 million.
- Barley production is projected to fall by 3 per cent, coupled with a 9 per cent fall in price. This will reduce GVP to 11 per cent below the 10-year average to nearly \$31 million.
- Maize production is projected to remain unchanged; however, there is a forecast 39 per cent increase in price above the 10-year average. GVP is estimated to increase proportionally to \$35 million per annum.
- Peanut production is projected to increase by 28 per cent, coupled with a 21 per cent price increase. GVP will be up 56 per cent to \$21 million per annum.
- Sunflower production is projected to increase by approximately one quarter, outweighed by a 22 per cent lower price than the 10-year average. This will reduce GVP by one per cent to \$4.8 million.
- Soybean production is projected to increase by approximately 30 per cent, but with an equivalently lower price than the 10-year average. GVP is forecast to fall by 7 per cent to \$6.9 million per annum.
- Mungbean GVP is forecast to lie 5 per cent below average at \$10 million, with a projected 28 per cent increase in production, slightly outweighed by a lower than 10-year average price.

On the surface, some price differences between the past and the future seem dramatic; however, they reflect a return to normal market prices given some global grain prices have spiked in the last 10 years. Higher absolute prices, along with firm market demand, is projected to cause some switching from mainstream crops such as wheat, sorghum and barley into more minor but higher value crops such as sunflowers, soybeans, chickpeas, peanuts and mungbeans. Collectively, other cereals are projected to average around \$22 million per annum. Projected total GVP of \$834 million exceeds the 10-year average GVP of \$782 million by 7 per cent.

These medium-term GVP projections assume average seasonal conditions with limited excess rainfall, drought and extreme temperature conditions. Crops such as maize, soybeans, mungbeans and peanuts are particularly water-sensitive. Drought conditions will impact on forecast values for these crops. Figure 6.28 compares the medium-term forecast with the historical ten-year average.

Figure 6.28 Five-year average forecast Queensland GVP – grain industries (2014–15 to 2018–19; \$834m) compared to ten-year average GVP (2004–05 to 2013–14: \$782m)



Opportunities

- China and Russia impose periodic export bans on wheat and coarse grains when domestic supplies are in deficit. When this occurs, global trade supplies are tightened, supporting global and domestic grain prices.
- Wheat exports increasingly consist of bagged and containerised quality wheats. For example, high protein wheats are sought for flat breads in the Middle East, and Australian Prime Hard wheat is highly sought for making alkaline, yellow noodles for Asian markets. Domestic grain suppliers need to understand the single wheat varieties and combinations of them, as well as the needs of export markets, in order to capitalise on those markets.
- To reduce transport and storage margins being added to the port price of grains, Queensland growers—particularly larger ones—are increasingly storing and transporting their own grain to port.¹⁹
- There has been a development of online selling of grain by growers, with stocks held then sold to obtain the best price, along the lines of share trading.
- The Grains Research and Development Corporation conducts crop research that can potentially lift yields for Queensland cereal growers through better crop farming technologies.²⁰
- Embrace new and emerging technologies. For example, precision agriculture is a relatively new concept that is now being used to guide farm management and optimise farm outputs and inputs.

¹⁹ *The Australian Grains Industry, The Basics*, Price Waterhouse Coopers 2011, place of publishing unknown, viewed 4 March 2013, <http://www.pwc.com.au/industry/agribusiness/assets/Australian-Grains-Industry-Nov11.pdf>

²⁰ The Grains Research and Development Corporation (GRDC) web page, Final Reports, viewed 4 March 2013, http://finalreports.grdc.com.au/final_reports.php?page_no=1&use_filters=true&action=&rule_id=o&collation_id=o&list=

Challenges

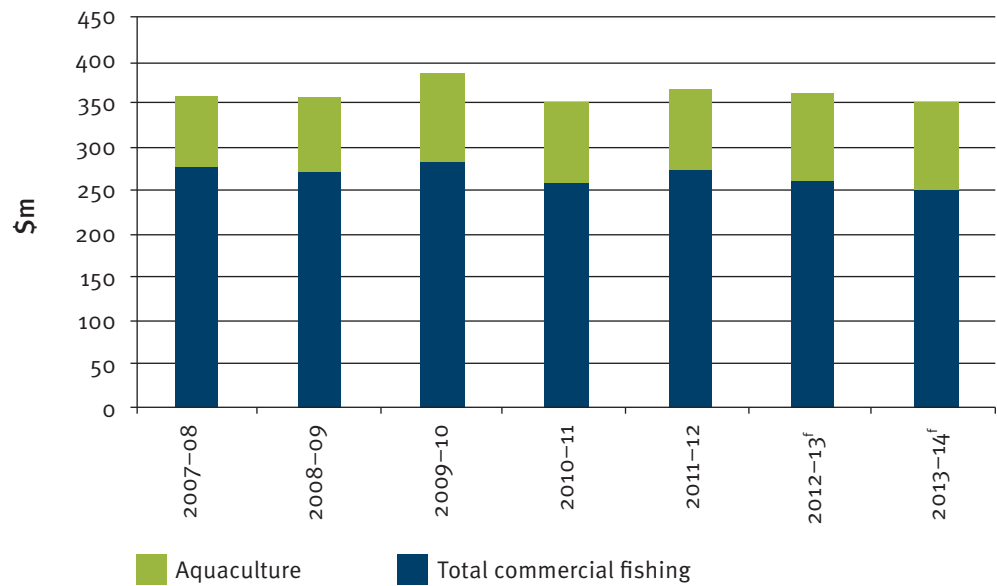
- Relatively low global stocks to use ratios for cereals, particularly for coarse grains, will help support grain prices, albeit with greater volatility. This makes farm cash flow less reliable and challenging for Queensland grain growers, particularly for those operating on tighter profit margins.
- International competitiveness remains a challenge with increased grain production expected from low-cost producers such as South America and Black Sea countries such as Kazakhstan and the Ukraine.
- The prices of farm inputs such as phosphate fertilisers, weed and pest control, transport, machinery and steel have increased significantly since 2007 and will impact on the profitability of grain growing.
- Biosecurity will continue to be an industry risk. Fungicide is used in the field and stored grain is fumigated to exterminate weevils before sale. Growers are under pressure by grain buyers increasingly demanding grain that is free of costly chemical residues.
- Managing seasonal variability

Fisheries

Past trends

The total GVP of Queensland fisheries has declined approximately 13 per cent from 2001–02 to 2011–12 (see Figure 6.29). Much of this has been caused by a decline in wild catch fisheries, which were worth 20 per cent less in 2011–12 than in 2001–02. However, the value of aquaculture increased by approximately 16.6 per cent over the same period.

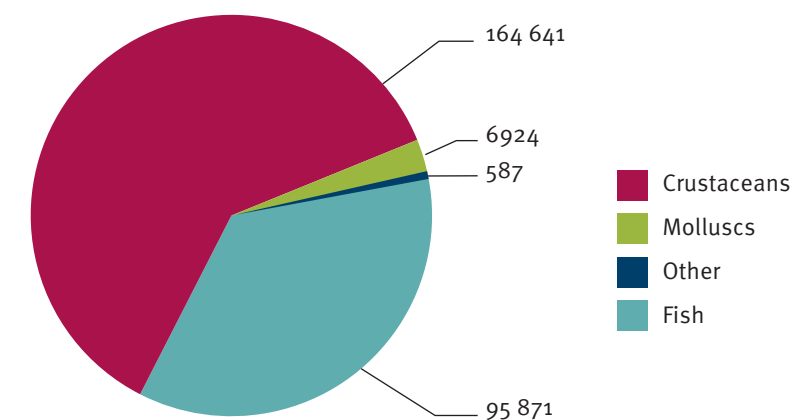
Figure 6.29 Queensland GVP – fisheries



Source: *AgTrends Update*, DAFF

The highest value fishery species in Queensland are prawns (both wild catch and aquaculture), crabs (wild catch), coral trout (wild catch) and barramundi (aquaculture). Figure 6.30 shows the breakdown of Queensland fisheries GVP by type—fish, crustaceans and molluscs.

Figure 6.30 Queensland GVP – fisheries (by type)



Source: ABARES, 2013

Queensland is a net exporter of fish products. Its largest export location is Hong Kong (68.8 per cent of total exports in 2012–13) followed by Japan (10 per cent) and the USA (7.6 per cent). Major import sources include New Zealand (30.8 per cent) and China (19.6 per cent). Table 6.1 shows the production, consumption, imports and exports for Queensland fisheries. The value of exports, imports and consumption has remained fairly stable over much of the period shown.

Table 6.1 Production, consumption, imports and exports for Queensland fisheries

Year	Queensland production GVP (\$)	Imports (\$)	Exports (\$)	Domestic consumption (\$)
2002–03	291 031 970	14 859 262	115 395 918	190 495 314
2003–04	306 432 030	13 901 793	93 141 504	227 192 319
2004–05	262 765 170	14 353 773	82 603 474	194 515 469
2005–06	285 179 140	12 634 872	78 656 997	219 157 015
2006–07	279 019 730	16 949 514	83 722 980	212 246 264
2007–08	283 456 380	16 119 749	75 212 887	224 363 242
2008–09	306 576 150	16 138 908	89 417 277	233 297 781
2009–10	321 792 140	17 109 423	83 509 926	255 391 637
2010–11	270 921 400	15 328 863	84 617 279	201 632 984
2011–12	268 023 080	14 525 409	76 951 863	205 596 626

Source: Trade data – Commodity and industry, 2013, ABARES/OESR

Forecasts

The value of Australian fisheries production is projected to increase by \$50 million (2.1 per cent) to \$2.45 billion (in 2012–13 dollars) over the medium term to 2017–18.

Queensland makes up a large proportion of Australia's prawn production (43 per cent in 2011–12); and prawn production accounts for 43 per cent of Queensland's total fisheries GVP. Real prices received by prawn producers are projected to decline, largely as a result of the continually high value of the Australian dollar and the strong competition in the domestic market from imported prawns. Therefore despite a forecast 8 per cent increase in production to 2017–18 the real value of prawn production is projected to fall by 4 per cent.

Opportunities

- Increasing global demand
- Increasing aquaculture production

Challenges

- Increasing competition from cheap imports
- Industry is of the firm opinion that Australian producers need to use marketing to differentiate their products from cheap imports for industry to be viable into the future.
- Possible impacts of increased irrigation in North Queensland.

Forestry and timber

Past trends

Queensland's forest-growing and first round processing sectors have experienced long-term structural changes over the last 20 years, resulting from the transition from predominantly native forest resources to plantation-grown resources. This has been driven by decreased access to native forests and through the shift from traditional native hardwood products to softwood products.

In recent times the industry has faced difficult local market conditions and competition pressures from imported products, which has been driven by the GFC and the high Australian dollar relative to other major currencies.

The domestic housing market, which generates the largest source of domestic demand (70 per cent of Queensland's sawn timber is used in residential construction), has been depressed for much of the period since the GFC.

Queensland is a net importer of manufactured wood products. Queensland imported \$880 million of forest and timber industry products in 2010–11. Queensland's forest and timber industry imports have increased by more than \$340 million over the last decade.

Queensland State forests and timber reserves have historically been a major source of timber, quarry resources and other forest products. These areas, along with sites of built infrastructure and resource exploration and development, have also been used for grazing, watershed protection, conservation, recreation, beekeeping and fossicking. State forests were originally designed to be multi-use tenures allowing for a broad range of activities; using permits, leases and mining tenements to authorise their use and manage competing or conflicting interests. Previous governments, through a number of policy decisions, transferred large areas of State forests to national parks or identified additional areas for transfer. However, 'Queensland's State forests: a multi-use tenure policy statement' was announced in December 2013, re-establishing the use of State forests and timber reserves for a broad variety of purposes, with no further transfers of State forests to national parks.

Forecasts

Economic growth is the main driver of global timber demand. Fast-growing East Asia is increasingly driving demand and sustaining prices.

Industry reports that global timber markets are strengthening and sawlog demand is increasing, with larger import volumes being recorded for China, Germany, Sweden, Finland and Canada.

Domestically, forecasts for the Queensland forest industry are closely linked to activity in the housing and construction sector. Indications are that the housing and construction sector is improving.

There are significant future market opportunities for timber and wood products in Queensland over the medium term. The projected population growth and associated housing demand has the potential to support a consistent increase in timber demand over the next 30 years.

Nevertheless, Queensland is a net importer of manufactured wood products and the trade deficit in those products is also projected to continue to grow, particularly as China and other Asian economies develop their own forestry and processing industries.

Opportunities

- Implementation of the *Queensland Forest and Timber Industry Plan* will help leverage Queensland's competitive advantage and support business and market growth.
- Queensland Government is committed to increasing the security of industry access to state-owned native forest resources and removing constraints on the use of state forests and timber reserves by the forestry industry.
- Timber and wood products could displace other building products that cannot match their environmental credentials.
- There are new market opportunities for the industry to produce bioenergy feedstock from forest products, processing residues and end-of-life wood waste.
- The future of the industry relies on continuing diversification and innovation, such as the progressive development and marketing of engineered wood products.

Challenges

- Small economies of scale continue to disadvantage the Queensland timber industry at the commodity end of the market.
- Uncertainty about the size and nature of future timber markets in Queensland.
- Low profitability and return on investment is constraining new investment in the industry.
- The persistently high Australian dollar is negatively impacting on the competitiveness of Queensland's forest and timber products.
- Ownership changes and business consolidation, particularly the 2010 sale of the Queensland Government's plantation estate, is changing the overall dynamics of the industry and increasing concentration of ownership.
- Substitute, non-renewable, building products such as steel, concrete and aluminium are displacing timber in a number of traditional market segments.
- Declining and fragmented forest and timber research and development capability.
- A low level of public awareness and understanding of the industry, particularly about the environmental benefits of wood products, has resulted in relatively poor community support for the industry.
- The industry is having difficulty attracting and retaining professional and skilled labour, particularly in those regions that have a strong mining industry presence.
- Declining availability of reliable and timely industry data is impeding industry planning, government policy decisions and private business investment decisions.
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