

Queensland Rural and Industry Development Authority

# The Current Rural Environment!

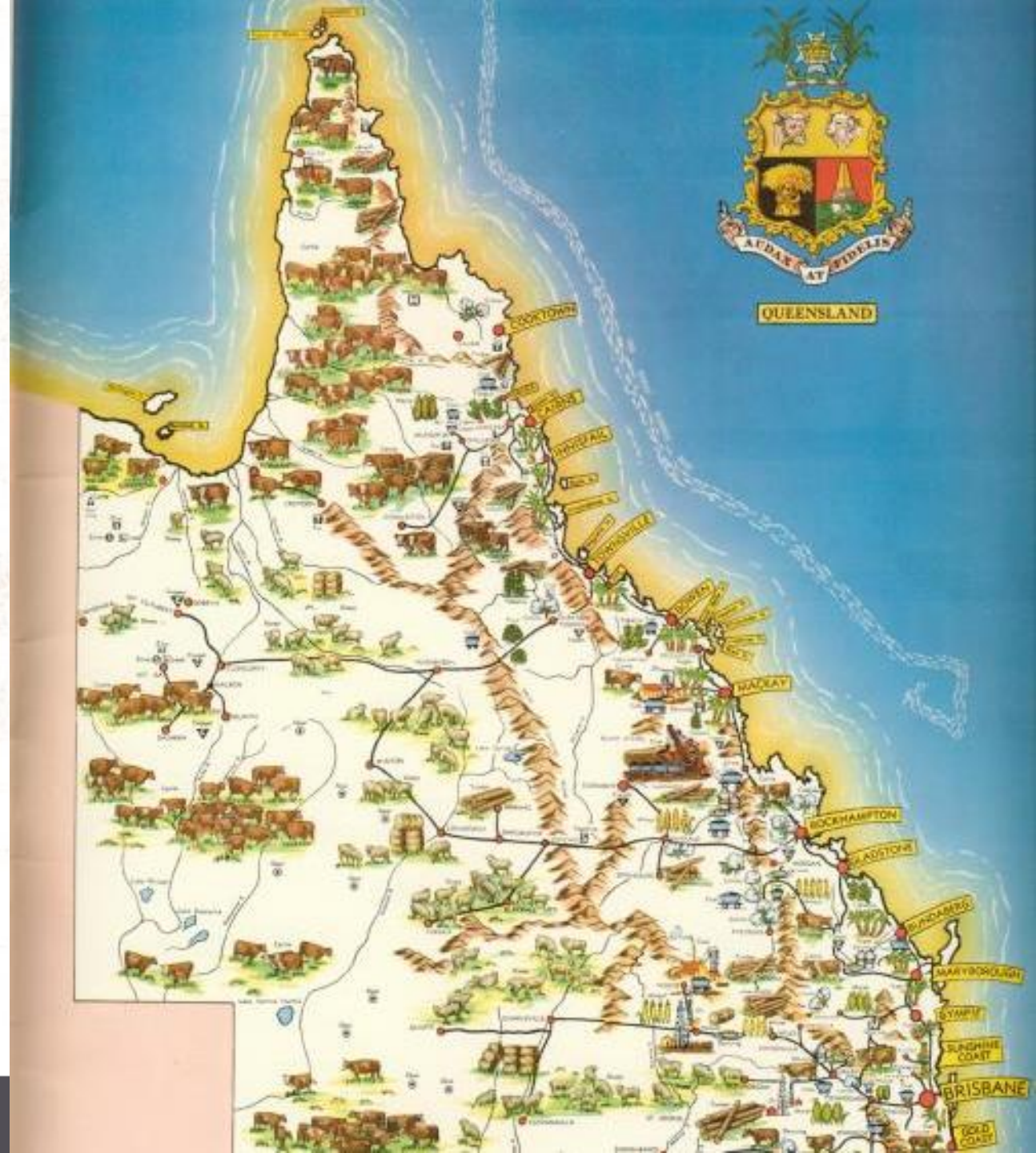
# Fun Facts

- Agriculture occupies 88.4% of Queensland's land mass, 85.9% is grazing.
- Queensland has 34% of Australia's total farm area.
- Queensland accounts for nationally 94% of sugar production, 47% of the beef herd, 34% cotton produced, 33% of grain production, 30% vegetable production and between 20 and 30% of intensive industry production.
- Income generated within Queensland - Grazing; \$9.3 billion, Broadacre cropping; \$4.7 billion, Horticulture; \$4.5 billion
- Agriculture uses 62% of all water used in Queensland



# Queensland Agriculture – what has changed?

- 16,200 farm businesses operate in Queensland (exc hobby farms)
- 56% are family farms/sole operators
- Farm numbers are declining at a steady rate of 1.1% p.a., without a reduction in farming land.
- Average ROC in 17/18 was 2%, the first time it has been over 1% since 2006/7
- Majority of grain and horticulture producers grow 2 main varieties p.a.



# Shifts in Production

There has been a significant shift in the composition of output, away from some traditional commodities such as sheep/wool, dairy, sugar and wheat, towards poultry products, fruit, cotton and cattle

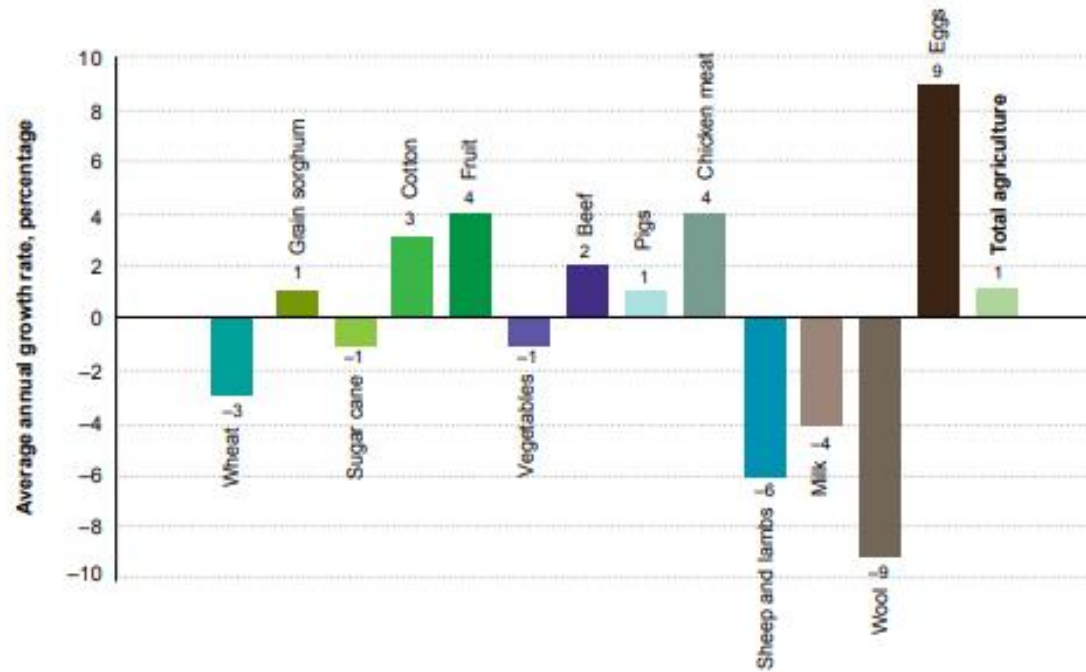
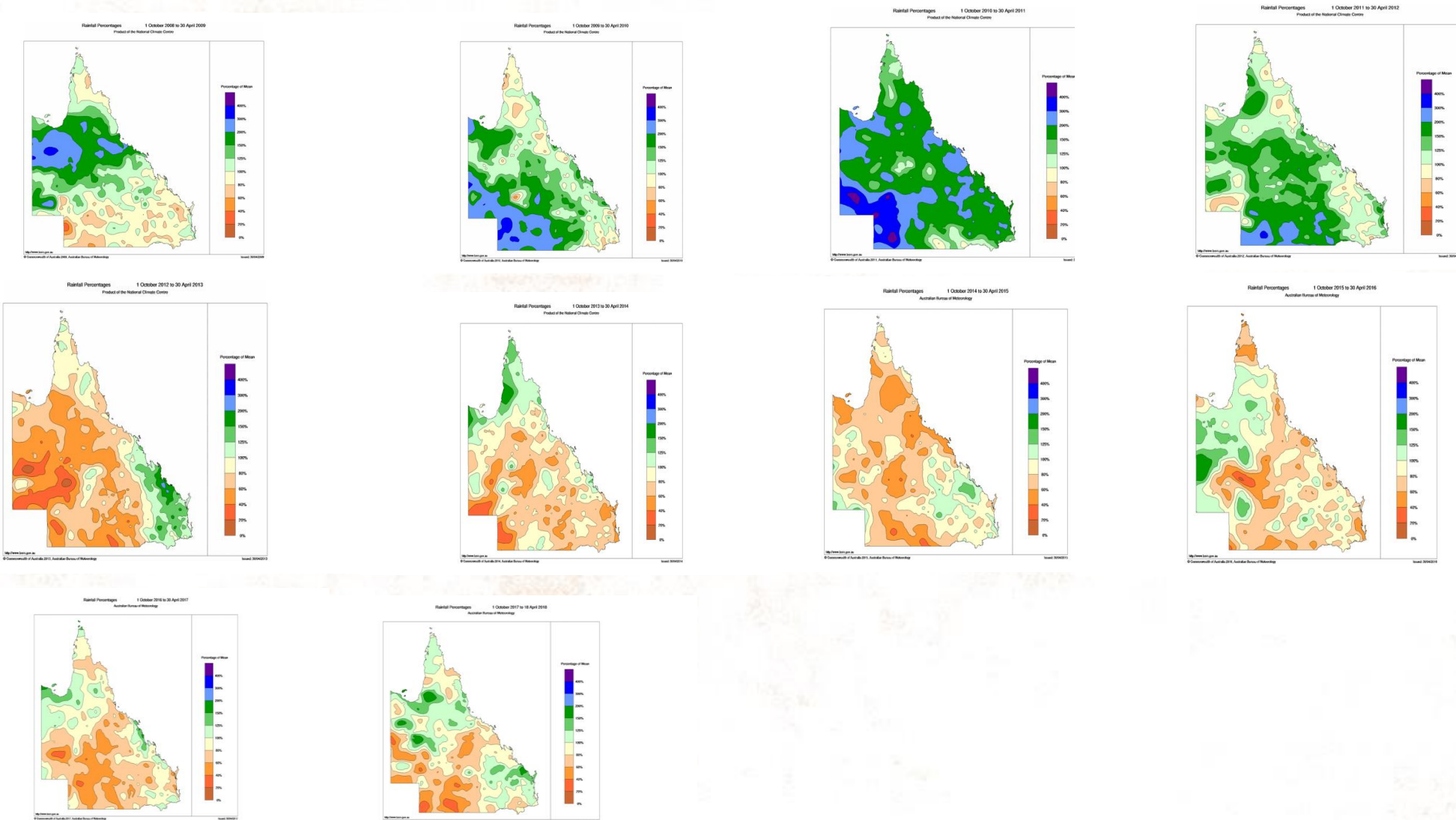


Figure 6 Trends in production volumes, 1996–97 to last 5 years  
Source: DAF, *AgTrends*, <<https://www.daf.qld.gov.au/business-trade/agtrends>>.



# Always take the weather with you



# Weather

- Western and South Western Queensland 40-80% below median rainfall since 2012
- Maranoa and Central Highlands 20-40% below median rainfall since 2012
- Since 2011; Bundaberg – 3 floods in 6 years, Scenic Rim 2 floods and several devastating hailstorms, Rockhampton and Banana 2 major flooding events and cyclones/tropical lows in 6 years
- Innisfail/Tully 2 significant cyclones in 5 year period 2006-2011
- Resilience?
- Financial Strength?

# Beef



- Major industry
- Buoyant prices in recent years resulted in debt reduction and capex investment
- Breeding herd build-up has been unwound in past 18 months due to drought
- Demand underpinned by feedlot and processing capacity
- Challenges:
  - Market sophistication
  - Land clearing laws
  - Alignment with consumer preferences
  - Drought management/ informed financial decisions



# Grain



- Dominated by summer grown crops, sorghum prices equaled wheat 2014/16
- Dependent on rainfall as bulk of irrigation utilized for cotton; water allocations greatly reduced in Emerald, Theodore, Burnett
- Areas sown to pulses have continued to increase. The demand for protein saw a marked increase in chickpea prices 16/17 to over \$1000/t, now trading at \$750/\$800/t.
- Wheat market has been deregulated for a decade, payment risk has increased with several grain traders defaulting
- Through the work of QFF grain growers now have multi-peril crop insurance to assist with risk management
- The grain industry is one of the most advanced in use of new technology, management of soil and water
- Major challenge is to have growers factor in climate variability
- Grain growers in Central Highlands and Darling Downs had no income from winter crops this year



# Sugar



- Prices have dropped from over \$600/t to \$420/t
- Up to 60% of production can be sold forward, forward prices available 2 years out
- Majority of mills have changed hands in recent years now under foreign ownership- impacting price discovery/terms of trade?
- Under significant scrutiny in terms of impact on the reef
- Sub-tropical cane production under pressure from higher value production opportunities
- Poor succession
- Benefitted from mining

# Horticulture



- Queensland often the first in the market place
- Scenic Rim, Lockyer Valley, Bundaberg, North Burnett, Bowen/Burdekin, Tablelands
- Driving land values
- Susceptible to natural disasters
- VEGAN IS REAL!
- **Bananas**; low prices for last two years have impacted cashflows hugely, TR4 threat not being taken seriously, large producers diversifying production areas
- **Strawberries**; year of low prices, contamination crisis has undermined many sound businesses (sales to August cover costs, later sales provide profit), \$1 million for industry was not direct to growers
- **Vegetables**; supply fresh market, minor processing scale to underpin prices during oversupply, Bowen has recovered well, few contracts, many long-term agreements, becoming the domain of the corporates
- **Macadamias**; 200% increase in production in 6 years, projected 500% increase by 2025, demand grossly outweighs production, 3 years of strong consistent prices, increase in local processing, winners/losers???



# Dairy



- Farmgate prices unchanged in almost a decade (Vic farmgate plus freight)
- Input costs currently extremely high, noting that feed costs always high underpinned by feedlot demand
- Industry has contracted by at least 20% in past 5 years
- QDO believe numbers will fall a further 20% on the Downs by Christmas this year
- Queensland undersupplied by over 20%
- Susceptible to natural disasters
- Only 15% of producers benchmark
- Bigger not the most profitable; 250-350 milkers
- Exit opportunity good due to land values

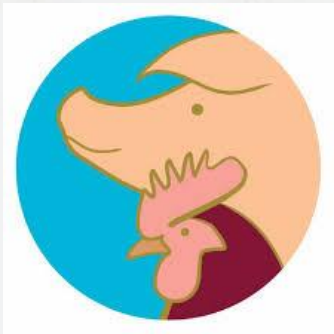
# Sheep, wool and goats



- Sheep numbers dropped dramatically from the early 2000s due to predation, drought and strong cattle prices
- The advent of exclusion fencing has allowed sheep to return to suitable areas and provide an alternate income stream – reduced grazing pressure
- Hair sheep are now a real alternative
- Current wool prices trading in the top 90-100 decile
- Flock has stabilized at 70 million
- Infrastructure has required upgrading
- Queensland accounts for 26% of Australian goat trade, prices 30% better than mutton driven by domestic and U.S. demand



# Intensive Industries (pigs, poultry)



- Pig prices have been operating in seven year cycles, the recent downturn has meant pigs selling at a consistent loss of \$50/head
- All fresh pork sales are domestically grown, imports dominate cured meats. Truth in labelling may arrest some price deficiency
- Queensland lacks sufficient pig processing facilities
- Property security values remain a concern
- Meat chicken processing is being concentrated by main companies, bulk of producers operate on contract

# Lending World

- Banks are competing for the same sound clients
- Rates as low as 3.7% variable have been offered
- Beef enterprises have paid down debt
- Decisions on new borrowing are taking much longer to obtain
- Some banks are shifting their interest from certain industries
- Nationally, \$3 billion of agricultural debt on interest only terms is up for review in the next 3 years.
- Producers are uncertain about short to medium term climate outlook and commodity prices, consequently borrowing enquiry is reduced





# Longer Term Challenges

- Land values
- Energy costs
- Social licence
- Actually building preparedness/resilience
- Connectivity
- Market Sophistication
- Government policy to support rural and regional communities

THANK YOU