

HOW WILL Agriculture PERFORM IN 2018?

A JPABUSINESS 2018 INDUSTRY ECONOMIC SNAPSHOT

Australian Agriculture, Forestry and Fishing industry performance from 2006/07-2015/16

Source: ABS/JPAbusiness



BACKGROUND

- The agriculture, forestry and fishing industry experienced strong growth in 2015-16 across most key data items, with sales and service income increasing by 10.5%.
- Growth in this industry was dominated by the agriculture subdivision, with income up by 10.1% driven largely by strong demand for Australia's beef cattle, locally and internationally.
- The forestry and logging subdivision also contributed to growth in 2016, with a 31.1% rise in income.
- The growth in the agricultural sector continued in 2017, with a reported increase in gross value of farm production of 12%, to a record of \$63.7 billion. The rise was driven by record winter crop production and relatively high prices for livestock and livestock products.



DRIVERS OF INDUSTRY GROWTH

- Increases in population and socio-economic status in developing economies provide strong export demand for livestock.
- The relatively lower production of coarse grains and reduced productivity of high-quality wheat in the United States is expected to provide modest support to prices.



OUTLOOK

- There has been strong growth over the past five years, but this is expected to moderate and remain relatively flat.
- Gross value of farm production anticipated to decrease by 9% in 2018.
- The outlook for agricultural production in 2017-18 has been affected by drier and warmer than average seasonal conditions through June and July.
- Value of farm exports in aggregate are anticipated to decrease, however net value of livestock and livestock products are expected to rise.
- Livestock and livestock product prices are anticipated to be relatively strong in 2018 - however lower feed grain prices in 2018 will moderate prices.



RISKS TO INDUSTRY GROWTH

- Risks to revenue growth from protectionist policies in developing economies wanting to target 'self-sufficiency'.
- Recovering global supply likely to pressure crop prices - particularly coarse grains.