

Farmers cashing in on Australia's big wet

Sophie Morris

For the first time in more than 30 years, farmers in all states and industries will make a profit this year as their sales overseas rise above \$35 billion, driven by the wettest two-year period on record.

The Australian Bureau of Agricultural and Resource Economics and Sciences forecast, in a report published yesterday, that the value of farm exports would remain relatively high over the next five years.

Agricultural exports are expected to climb 9.4 per cent to \$35.5 billion this financial year, then to ease slightly in the next few years but regain this value by 2016-17.

"It's good news to be a farmer across Australia," federal Agriculture Minister Joe Ludwig said, launching the annual ABARES outlook conference in Canberra.

The longer-term future is positive, thanks to growing global demand for food, which experts told the conference could lead to a shift away from wheat and grains to livestock.

"Rising incomes and rapid urbanisation in Asia will change the composition of demand towards meat and dairy products," a director of the Washington-based International Food Policy Research Institute, Mark Rosegrant, said.

Demand for meat in the developing world was likely to rise from 25 kilograms a person each year to 40 kilograms by 2050, he said.

Notable bright spots in the ABARES forecast include a surge in cotton production this year, setting Australia up as one of the world's largest cotton exporters, and strong demand for sheep and wool.

But overall it is shaping as a year when, despite damage from floods, farmers are enjoying the elusive combination of a good season and good prices.

"Positive farm business profits and rates of return are projected on average for broadacre farms in all states and industries for the first time in over 30 years," the ABARES report says.

Cash incomes for broadacre farmers across the eastern states are forecast to be between 20 and 70 per cent above what they averaged in the past decade. Western Australia has rebounded from last year's drought to average income of \$180,000 a farm this year.

The outlook for Australia's biggest agricultural export, wheat, is less bullish. Farmers have recently

harvested a record wheat crop but volumes are forecast to ease next year as yields return to average.

World wheat prices are expected to drop due to ample global supplies, resulting in a 9 per cent decline in the value of Australian wheat exports next year, to \$5.57 billion from \$6.1 billion.

For beef, the second largest agricultural export, increased volumes will offset an easing in world prices, leading to a 1 per cent rise in the value of exports to \$4.53 billion in 2012-13.

Lamb exports are forecast to rise 21 per cent to \$1.19 billion next year. Mutton exports are also set to surge.

The report says sheep farmers will earn their highest cash income since 1988-89, before the collapse of the reserve price scheme for wool dealt them a severe blow.

On average, sheep farmers are expecting cash incomes of \$113,000 this year, thanks to abundant pastures and high prices for wool and sheep meat.

The boon for sheep farmers comes as they rebuild the national flock, which is forecast to reach 81 million head in 2012-13, after dropping two years ago to 68 million head, the lowest number since 1887.

The record cotton crop, of 1.1 million tonnes this year, comes as India — the world's second largest cotton exporter — said this week it would ban exports to ensure domestic supplies.

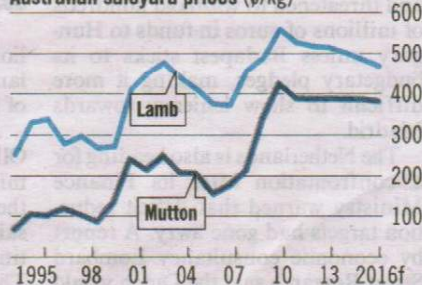
Australia's cotton exports are forecast to grow 89 per cent to 955,000 tonnes this year and rise another 12.5 per cent in 2012-13 to 1.1 million tonnes, worth \$2.4 billion.

Senator Ludwig said it would be up to producers to respond to news of the Indian cotton ban.

"It's an opportunity for them to build on overseas markets," he said. "I've got no doubt they will take any opportunity they can."

Overcooked

Australian saleyard prices (¢/kg)



SOURCE: ABARES