Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October 2016

Agriculture and Water Resources

Question: 1

Division/Agency: ABARES

Topic: Profitability and Productivity

Proof Hansard page: Written

Senator STERLE asked:

Provide an update on Australia's profitability, productivity and global market share?

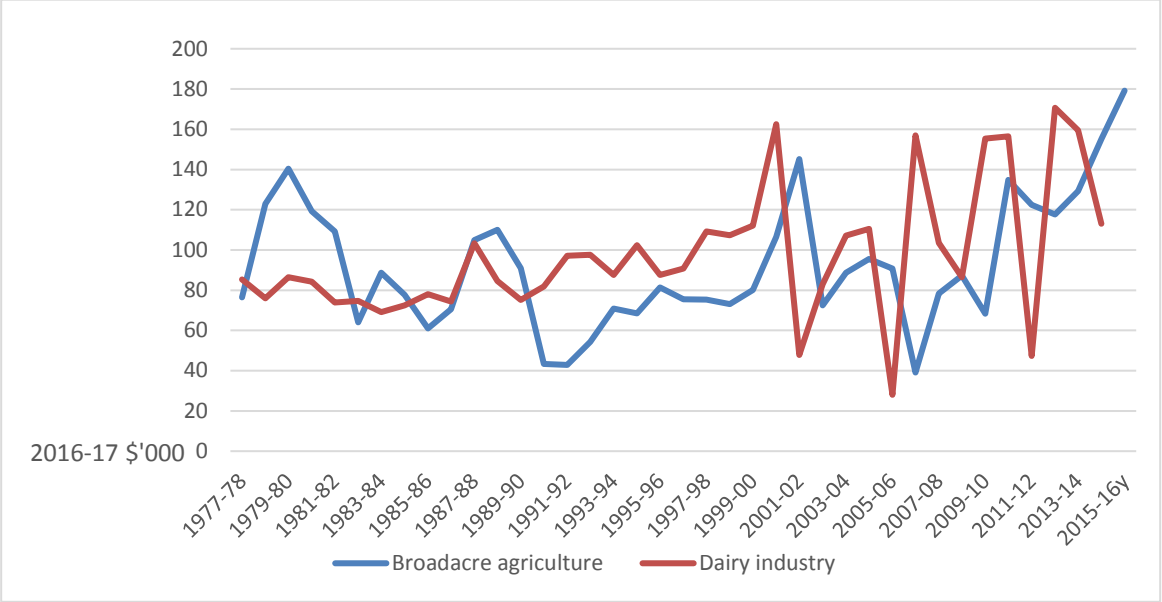
Answer:

Profitability of Australian broadacre agriculture and dairy industry

Figure 1 presents profitability measured by average farm cash income of Australian broadacre farms between 1977-78 and 2015-16 and Australian dairy farms between 1978-79 and 2015-16. For Australia as a whole, farm cash income of broadacre farms is estimated to have averaged $179,000 per farm in 2015-16 – the highest recorded in the past 20 years. At the national level, average farm cash income of dairy farms declined 35 per cent from an average of $156,000 in 2014-15 to an estimated average of $101,000 in 2015-16. Detailed results can be found in *Australian farm survey results 2013-14 to 2015-16.*
http://data.daff.gov.au/data/warehouse/9aas/FarmSurveyResults/2016/FarmSurveyResults2016_V1.1.0.pdf

Question: 1 (continued)

Figure 1. Real farm cash income, Australian broadacre agriculture and dairy industry



Source: ABARES

Productivity of Australia's broadacre agriculture and dairy industries

ABARES routinely updates estimates of the productivity of Australia's broadacre agriculture and dairy industries. The latest results can be found in *'Agricultural Commodities: March quarter 2016'.* (http://www.agriculture.gov.au/abares/publications/display?url=http://143.188.17.20/anrdl/DAFFService/display.php?fid=pb_agcomd9abcc20160301_cQe9T.xml).

Table 1 provides the latest estimates of average annual productivity growth in broadacre agriculture between 1977-78 and 2013-14 and dairy industry between 1978-79 and 2013-14. The four sub-industries (beef, sheep, mixed crop-livestock and cropping) in the broadacre agriculture exhibited considerably different productivity growth rates between 1977-78 and 2013-14 and in the three sub-periods.

Table 1: Productivity[A] growth, by broadacre agriculture and dairy industry, 1977–78 to 2013–14[B]

	Broadacre					Dairy
Average annual growth by period	All broadacre	Beef	Sheep	Mixed crop-livestock	Cropping	
1977–78 to 1988–89	1.8	-1.7	-1.5	1.5	3.5	1.5
1988–89 to 2000–01	1.7	1.9	-0.5	1.1	1.1	1.2
2000–01 to 2013–14	1.2	0.8	2.2	0.7	1.8	0.8
All (1977-78 to 2013-14)	1.1	1.3	0.3	0.9	1.5	1.6

Note. A) The estimates in this table are known as Total Factor Productivity (TFP). It measures the productivity of labour, capital, land and intermediate inputs used in the farm production. B) The productivity estimates for dairy industry start from 1978-79.
Source: Australian Agricultural and Grazing Industries Survey and Australian Dairy Industry Survey, ABARES.

Question: 1 (continued)

Australia's global market share of world agricultural exports

Australia's global market share of world exports has ranked between 12th and 16th in the ten years to 2014 (the most recent year for which the United Nations has published data).

Table 2: Australia's ranking and share of global agricultural exports

	Share	Ranking
2005	2.5%	12th
2010	2.0%	16th
2014	2.2%	14th

Source: United Nations Statistic Division 2016, United Nations Commodity Trade Statistics Database (UN Comtrade), United Nations, New York, available at comtrade.un.org/db/default.aspx, accessed 4 November 2016

The value of Australia's agricultural exports accounted for about 2.5 per cent of global agricultural exports in 2005, which ranked it twelfth globally among world agricultural exporters (Table 2). By 2010, Australia's ranking had fallen to 16th and its share of world trade to 2 per cent but there was a 28 per cent increase in the value of exports in US dollar terms. The decline in market share was largely the result of the strong Australian dollar relative to the US dollar at that time, which resulted in Australia's farm exports being relatively less competitive on world markets. By 2014, with the depreciation of the Australian dollar, Australia's ranking among agricultural exporting nations had risen to 14th.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Supplementary Budget Estimates October 2016

Agriculture and Water Resources

Question: 2

Division/Agency: ABARES

Topic: Profitability and Productivity

Proof Hansard page: Written

Senator STERLE asked:

What risks have been identified with regards to Australia's declining global market share, flat lining profitability and productivity.

Answer:

If productivity growth were to stagnate, Australian agriculture would be at risk of declining international competitiveness and profitability.

Recent ABARES research '*Australian agricultural productivity growth: past reforms and future opportunities'*, ABARES research report 14.2 (http://data.daff.gov.au/data/warehouse/9aap/2014/apgpfd9abp_20140220/AgProdGrthPstRfmFtrOppsv1.0.0.pdf) concluded that future opportunities for government to promote agricultural productivity growth are most likely to come from reducing regulatory burdens, improving the efficiency of the rural research, development and extension system, building human capital through improving labour availability and skills, and ensuring policy settings do not impede structural adjustment within agriculture.

ABARES research has not specifically identified risks associated with future growth of agriculture productivity. However, an ABARES research report '*A turning point in agricultural productivity: consideration of the causes*', ABARES research report 11.4 (http://www.agriculture.gov.au/abares/publications/display?url=http://143.188.17.20/anrdl/DAFFService/display.php?fid=pe_abares99010542_11b.xml) demonstrated that a combined effect of unfavourable seasonal conditions and stagnating investment in public agricultural research and development (R&D) had adversely affected productivity growth in broadacre agriculture.