Key messages

• Key drivers
  – Global economy
  – Weather
• Agricultural commodity outlook improved
• Fertiliser an important share of farm costs – but pressures in recent years
Key Drivers: Global Economy

World economic growth

-1  1  2  3  4  5  6
Australian exchange rate

Key Drivers: Weather
Australia 6-monthly rainfall totals

Source: Australian Bureau of Meteorology

www.abare-brs.gov.au

Australia 3-month rainfall outlook

Source: Australian Bureau of Meteorology

www.abare-brs.gov.au
Real value of Australian farm sector

A$bn

- Production: $42b
- Exports: $29b

Years:
- 1990-91
- 1992-93
- 1994-95
- 1996-97
- 1998-99
- 2000-01
- 2002-03
- 2004-05
- 2006-07
- 2008-09
- 2010-11
World grains & oilseeds prices

- annual

Soybeans
Wheat
Corn

2009-10
US$/t
1995-96  2000-01  2005-06  2010-11f

Australian grains production

Summer crops
Winter crops

35m t

* 2010-11 forecast for summer crops n/a

www.abare-brs.gov.au
Rainfall trends: Russian Federation

Western FSU % normal rainfall 1 May – 31 July 2010

Source: NOAA National Weather Service
Medium term drivers - grains

- Increasing incomes in key markets to keep demand strong
- World population growth increasing demand for grains

↑ Australian wheat production 24-25m t by 2015

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Australian cattle slaughter and prices

<table>
<thead>
<tr>
<th>Year</th>
<th>Slaughter (million head)</th>
<th>Average Price (c/kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-96</td>
<td>6</td>
<td>300</td>
</tr>
<tr>
<td>2000-01</td>
<td>7</td>
<td>350</td>
</tr>
<tr>
<td>2005-06</td>
<td>9</td>
<td>400</td>
</tr>
<tr>
<td>2010-11f</td>
<td>8</td>
<td>2009-10</td>
</tr>
</tbody>
</table>
Medium term drivers - Livestock

• Rising incomes in Asia to drive demand for livestock products
• Australian sheep and cattle numbers to gradually increase
• Increasing milk yields drive higher production in Australia
Australian fertiliser consumption

Source: FAO

Fertiliser use per crop hectare:
broadcace farms

**www.abare-brs.gov.au**
Fertiliser expenditure per hectare cropped, - grains farms

Productivity growth and terms of trade
Ways to improve productivity

• Through R&D
  – New technologies, improved practices
• Adaptation to climate change
  – Better risk management, new technologies
• Addressing impediments to adoption of innovation and productivity growth
  – Improving uptake, extension, removing barriers
• Investment in infrastructure

Key messages

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Thank you

Science and economics for decision-makers