

# Prospects update

## March 2009



### At a glance

#### Total value of Queensland's primary industries

In 2008–09, the total value of Queensland's primary industry commodities (comprising gross value of production at the farm gate and first-round processing) is forecast at \$13.04 billion. This is 5% higher than Queensland Primary Industries and Fisheries' (part of the Department of Employment, Economic Development and Innovation) final estimate for 2007–08.

#### Gross value of production at the farm gate

In 2008–09, the gross value of production (GVP) of Queensland's primary industry commodities at the farm gate is forecast at \$10.03 billion. This is 5% higher than Queensland Primary Industries and Fisheries' final estimate for 2007–08.

Forecasts that have been revised **up** from previously published forecasts for 2008–09 are:

- live cattle exports
- pineapples
- grapes
- watermelons
- sugarcane
- chickpeas
- soybeans
- sunflowers
- wheat.

Forecasts that have been revised **down** from previously published forecasts for 2008–09 are:

- wool
- bananas
- avocados
- tomatoes
- cotton
- barley
- grain sorghum
- maize
- fisheries
- forestry.

#### First-round processing

In 2008–09, the value of first-round processing (or value-added production) is forecast at \$3.01 billion. This is 5% higher than Queensland Primary Industries and Fisheries' final estimate for 2007–08.

### Summer/autumn 2008–09 climate forecast

The northern Australian outlook for total June quarter rainfall (April–June), shows a wetter than normal season is favoured over south-east Queensland.

The pattern of seasonal rainfall odds across northern Australia is mainly a result of warm conditions in the Indian Ocean in February; the Pacific Ocean contributed little to this forecast.

For the June quarter, the chance of south-east Queensland exceeding median rainfall is 60–70%. This means that for every 10 years with similar ocean patterns to the current, about six or seven years are expected to be wetter than average over this area, while about three or four years are expected to be drier.

Across the remainder of the northern region, the chance of exceeding the median rainfall during the June quarter is 40–60%, meaning that above median falls are about as equally likely as below median falls.

Outlook confidence is related to how consistently the Pacific and Indian Oceans affect Australian rainfall. During the June quarter, history shows this effect to be moderately consistent over south-east Queensland and patches in the Northern Territory. Elsewhere, the effect is only weakly or very weakly consistent.

Pacific climate patterns were bordering on La Niña for several months, with above average wet season falls in the Australian tropics a direct result. The equatorial Pacific Ocean is warming and the consensus from computer models is for near average temperatures in the middle of the year. The Southern Oscillation Index (SOI) remains positive at approximately +3 for the 30 days ending 21 March.

#### Chance of exceeding the median rainfall, April to June 2009 Product of the National Climate Centre



Source: [www.bom.gov.au](http://www.bom.gov.au)

**Table 1. GVP, first-round processing and total primary industry estimates and forecasts 2006–07, 2007–08 and 2008–09**

| Commodity GVP (a)                              | 2006–07 (b) | 2007–08 (c) | 2008–09 (d) | change 2007–08 to 2008–09 |
|--|-------------|-------------|-------------|---------------------------|
|  | \$m         | \$m         | \$m         | %                         |
| <b>Livestock disposals</b>                     |             |             |             |                           |
| Cattle and calves                              | 3816        | 3440        | 3460        | 1                         |
| Sheep and lambs                                | 45          | 60          | 55          | -8                        |
| Pigs   | 237         | 220         | 195         | -11                       |
| Poultry  | 240         | 300         | 330         | 10                        |
| Other livestock                                | 23          | 15          | 15          | 0                         |
| <b>Total livestock disposals</b>               | <b>4361</b> | <b>4035</b> | <b>4055</b> | <b>0</b>                  |
| <b>Livestock products</b>                      |             |             |             |                           |
| Wool   | 120         | 120         | 105         | -13                       |
| Milk (all purpose)                             | 207         | 255         | 265         | 4                         |
| Eggs   | 93          | 110         | 120         | 9                         |
| <b>Total livestock products (e)</b>            | <b>420</b>  | <b>485</b>  | <b>490</b>  | <b>1</b>                  |
| <b>Total livestock</b>                         | <b>4781</b> | <b>4520</b> | <b>4545</b> | <b>1</b>                  |
| <b>Horticulture</b>                            |             |             |             |                           |
| Fruit and nuts                                 |             |             |             |                           |
| Bananas  | 762         | 470         | 400         | -15                       |
| Pineapples                                     | 91          | 55          | 50          | -9                        |
| Mangoes  | 85          | 45          | 65          | 44                        |
| Mandarins                                      | 99          | 85          | 70          | -18                       |
| Strawberries                                   | 116         | 130         | 140         | 8                         |
| Avocados                                       | 80          | 70          | 70          | 0                         |
| Macadamias                                     | 18          | 25          | 30          | 20                        |
| Apples   | 33          | 50          | 50          | 0                         |
| Table grapes                                   | 49          | 40          | 50          | 25                        |
| Other fruit and nuts                           | 127         | 105         | 130         | 24                        |
| <b>Total fruit</b>                             | <b>1460</b> | <b>1075</b> | <b>1055</b> | <b>-2</b>                 |
| Vegetables                                     |             |             |             |                           |
| Potatoes                                       | 55          | 45          | 45          | 0                         |
| Tomatoes                                       | 169         | 205         | 120         | -41                       |
| Capsicums & chillies (f)                       | 113         | 100         | 100         | 0                         |
| Sweet potatoes                                 | 0           | 55          | 45          | -18                       |
| Other vegetables                               | 665         | 375         | 590         | 57                        |
| <b>Total vegetables</b>                        | <b>1002</b> | <b>780</b>  | <b>900</b>  | <b>15</b>                 |
| <b>Total fruit and vegetables</b>              | <b>2462</b> | <b>1855</b> | <b>1955</b> | <b>5</b>                  |
| <b>Lifestyle horticulture - production</b>     |             |             |             |                           |
| Nurseries (c)                                  | 375         | 410         | 451         | 10                        |
| Turf (c)                                       | 65          | 70          | 81          | 16                        |
| Cut flowers (c)                                | 115         | 125         | 125         | 0                         |
| <b>Total lifestyle horticulture production</b> | <b>555</b>  | <b>605</b>  | <b>657</b>  | <b>9</b>                  |
| <b>Total horticulture</b>                      | <b>3017</b> | <b>2460</b> | <b>2612</b> | <b>6</b>                  |
| <b>Other field crops</b>                       |             |             |             |                           |
| Sugar cane (g)                                 | 1122        | 750         | 920         | 23                        |
| Cotton (raw) (h)                               | 121         | 110         | 310         | 182                       |
| Other crops (c)                                | 208         | 150         | 210         | 40                        |
| <b>Total other field crops</b>                 | <b>1451</b> | <b>1010</b> | <b>1440</b> | <b>43</b>                 |

| Commodity GVP (a)  | 2006–07 (b)   | 2007–08 (c)   | 2008–09 (d)   | change 2007–08<br>to 2008–09 |
|--|---------------|---------------|---------------|------------------------------|
|  | \$m           | \$m           | \$m           | %                            |
| <b>Cereal grains</b>   |               |               |               |                              |
| Wheat  | 188           | 360           | 520           | 44                           |
| Barley   | 19            | 55            | 35            | -36                          |
| Grain sorghum  | 190           | 475           | 265           | -44                          |
| Maize  | 22            | 60            | 55            | -8                           |
| Other cereal grains  | 2             | 20            | 20            | 0                            |
| <b>Total cereal grains</b>   | <b>421</b>    | <b>970</b>    | <b>895</b>    | <b>-8</b>                    |
| <b>Total crops</b>   | <b>4889</b>   | <b>4440</b>   | <b>4947</b>   | <b>11</b>                    |
| <b>Total agriculture</b>   | <b>9670</b>   | <b>8960</b>   | <b>9492</b>   | <b>6</b>                     |
| <b>Fisheries (c) (i)</b>   |               |               |               |                              |
| Trawl  | 119           | 116           | 99            | -15                          |
| Non Trawl  | 151           | 149           | 144           | -3                           |
| Aquaculture  | 75            | 80            | 85            | 6                            |
| <b>Total fisheries</b>   | <b>345</b>    | <b>345</b>    | <b>328</b>    | <b>-5</b>                    |
| <b>Forestry and logging (c) (j)</b>  |               |               |               |                              |
| <b>Total forestry and logging</b>  | <b>181</b>    | <b>185</b>    | <b>176</b>    | <b>-5</b>                    |
| <b>Kangaroos (c)</b>   |               |               |               |                              |
| <b>Total kangaroos</b>   | <b>46</b>     | <b>41</b>     | <b>33</b>     | <b>-20</b>                   |
| <b>Total primary industries (farm gate)</b>                                    | <b>10 242</b> | <b>9531</b>   | <b>10 029</b> | <b>5</b>                     |
| <b>First round processing value added (k)</b>                                  |               |               |               |                              |
| Meat processing (c)  | 1026          | 950           | 954           | 0                            |
| Sugar processing (c)   | 471           | 315           | 386           | 23                           |
| Milk and cream processing (c)  | 113           | 140           | 145           | 4                            |
| Fruit and vegetables processing (c)  | 242           | 182           | 192           | 5                            |
| Flour mill and feed processing (c)   | 78            | 181           | 167           | -8                           |
| Seafood processing (c)   | 25            | 25            | 24            | -3                           |
| Log sawmilling and timber dressing and<br>plywood and veneer manufacturing (c) | 343           | 350           | 303           | -13                          |
| Lifestyle horticulture services (c) (l)  | 665           | 700           | 780           | 11                           |
| Cotton ginning (c)   | 14            | 13            | 35            | 182                          |
| Kangaroo processing (c)  | 22            | 20            | 23            | 15                           |
| <b>Total primary industries<br/>(first round processing)</b>                   | <b>3000</b>   | <b>2875</b>   | <b>3010</b>   | <b>5</b>                     |
| <b>Total primary industries</b>  | <b>13 242</b> | <b>12 406</b> | <b>13 039</b> | <b>5</b>                     |

a) GVP is defined as the 'gross value of commodities produced'. It is a measure of economic output. In this publication, GVP relates to the output of primary industry commercial operations only. The GVP is the value of recorded production at wholesale prices realised in the market place (e.g. cattle sold at saleyards, sugarcane at the mill door, fruit and vegetables at the wholesale market). It is derived by multiplying the output from each primary industry by the average wholesale price paid to producers.

(b) ABS final estimates for 2006–07 unless otherwise indicated.

(c) Queensland Primary Industries and Fisheries estimates.

(d) Queensland Primary Industries and Fisheries forecasts.

(e) Excludes minor commodities such as honey, beeswax, mohair.

(f) Queensland Primary Industries and Fisheries estimate does not include chillies.

(g) Gross value of sugarcane at mill door.

(h) Includes value of cotton seed and lint.

(i) Includes catches from both Commonwealth-managed (including Torres Strait, Gulf of Carpentaria and East Coast tuna fisheries) and state-managed fisheries.

(j) Australian Bureau of Agricultural and Resource Economics (ABARE) estimates.

(k) See Notes section for definition of 'value-added'.

(l) The value of the lifestyle horticulture services sector has been calculated on a gross turnover basis rather than a value-added basis and therefore will contain elements of 'double counting'.

## Livestock disposals

### Cattle and calf disposals

#### Cattle and calves sold for slaughter and live exports

##### Forecast

The GVP of cattle and calf disposals (including both animals sold for slaughter and live exports) for 2008–09 is forecast at \$3.460 billion, 2% greater than Queensland Primary Industries and Fisheries' December estimate and 1% greater than Queensland Primary Industries and Fisheries' final estimate for 2007–08.

##### Discussion

Cattle and calf slaughter numbers in the six months from July to December 2008 were 5% lower than the corresponding period in 2007 and 11% lower than July to December 2006, with December 2008 being a particularly quiet month.

As reported in the December 2008 edition of *Prospects update*, slaughter numbers were expected to pick up at the beginning of 2009. According to Meat and Livestock Australia this did eventuate, with a sharp rise in adult cattle slaughtered in January 2009 after a very quiet December.

Despite producers in the north of the state having difficulties getting stock to processors because of floods, availability of stock in southern parts of Queensland provided a welcome boost to slaughter numbers.

There were 426 022 cattle in Queensland feedlots in the December quarter of 2008. This was a 13% increase on the September quarter and a 45% increase on the December quarter of 2007. This has been accompanied by a corresponding increase in turnover.

In the absence of any accurate figures on the floods' likely impacts on slaughter numbers for the 2008–09 financial year, the forecast GVP of Queensland's cattle and calf industry remains unchanged at \$3.349 billion.

#### Live cattle exports

##### Forecast

The GVP of Queensland's live cattle exports is forecast at \$110 million in 2008–09.

##### Discussion

In the first six months of the 2007–08 financial year, there were 27 614 live cattle exported from Queensland, with a total of just over 56 000 head exported for the 2007–08 financial year.

In the first six months of the 2008–09 financial year, live cattle exports were three times higher than at the same time in 2007–08, reaching 83 966 head.

There was a massive increase in the number of live cattle exported from Queensland, and Australia as a whole, in December 2008 compared to December 2007. In Queensland, the number rose from 1263 head in December 2007 to 24 778 head in December 2008 while total shipments from Australia in December 2008 were 94 555 head—the 10th largest monthly total on record according to Meat and Livestock Australia.

Indonesia remains Australia's largest market for live cattle, accounting for 75% of Australia's live cattle exports in the 2008 calendar year. Economic growth in Indonesia is forecast to slow as the global financial crisis takes hold.

This is likely to impact on demand for beef and, consequently, live cattle from Australia. Looking further ahead, conditions are expected to improve in 2010 and demand again increase. Recently, the Indonesian government announced that it would resume importing beef from Brazil. The extent to which this will affect Australia's share of the live cattle market is not yet clear.

The large increase in live cattle exports is thought to be due to the falling Australian dollar and a continued increase in demand from Indonesia.

## Livestock products

### Wool

##### Forecast

The GVP of wool (including the value of skins) is forecast at \$105 million in 2008–09, 16% lower than Queensland Primary Industries and Fisheries' December 2008 forecast and 13% lower than Queensland Primary Industries and Fisheries' final estimate for 2007–08.

##### Discussion

There have been rapid falls in wool prices in 2008–09. The Eastern Market Indicator (EMI) has fallen approximately 15% this financial year from highs of over 850c/kg. Prices have continued to trend downward since December 2008 and are not showing any signs of recovery at present. ABARE forecasts the EMI to start recovering from 2010.

Wool production is lower this year than in 2007–08 as sheep meat becomes a more attractive alternative to producers (with sheep and lamb prices holding comparatively high). Additionally, lower numbers of wethers are resulting in reduced wool clips.

## Horticulture

### Fruit and nuts

#### Bananas

##### Forecast

The GVP of bananas is forecast at \$400 million, 7% lower than the December 2008 forecast and 15% lower than Queensland Primary Industries and Fisheries' final estimate for 2007–08.

##### Discussion

Values had been running ahead of expectations but recent flooding has reduced volumes and the quality is also expected to be reduced for some time.

#### Pineapples

##### Forecast

The GVP of pineapples is forecast at \$50 million, 11% higher than Queensland Primary Industries and Fisheries' December 2008 forecast but 9% lower than Queensland Primary Industries and Fisheries' final estimate for 2007–08.

##### Discussion

The forecast value for 2008–09 has been increased because of higher-than-anticipated prices for processing (canning and juicing) pineapples.

## Avocados

### Forecast

The GVP of avocados is forecast at \$70 million, 18% lower than Queensland Primary Industries and Fisheries' December 2008 forecast and the same as Queensland Primary Industries and Fisheries' final estimate for 2007–08.

### Discussion

The forecast for 2008–09 has been reduced because of lower-than-expected volumes.

## Grapes

### Forecast

The GVP of grapes is forecast at \$50 million, 25% higher than Queensland Primary Industries and Fisheries' December 2008 forecast and 25% higher than Queensland Primary Industries and Fisheries' final estimate for 2007–08.

### Discussion

The higher forecast is due to better-than-expected prices.

## Vegetables

With excessive rain in Queensland's north and disastrous fires in southern Australia, vegetable producers have been hit hard. The full impact of these natural disasters are not fully understood but it is expected supplies will vary in coming months, impacting on the vegetable market.

## Tomatoes

### Forecast

The GVP of tomatoes in 2008–09 is forecast at \$120 million, 40% lower than Queensland Primary Industries and Fisheries' initial forecast and 41% lower than Queensland Primary Industries and Fisheries' final estimate for 2007–08.

### Discussion

The reason for the decrease in expected value is due to the low prices received during the winter season and lower yields over the summer due to abnormal weather conditions. Currently the wet up north may delay planting, having the potential to reduce yield in May and June. This may result in a price rise.

## Capsicums

### Forecast

The GVP of capsicums in 2008–09 is forecast at \$100 million. This is the same as Queensland Primary Industries and Fisheries' final estimate for 2007–08.

### Discussion

While Queensland Primary Industries and Fisheries' forecast has not changed, a change in the industry is beginning to show with a shift towards glasshouse-grown capsicums from South Australia, possibly to Queensland's detriment. The effects of this are just beginning to show, but in the future Queensland field-grown capsicums may not receive higher prices because of their lower quality. This has the potential to reduce the value of the state's capsicum industry.

## Watermelons

### Forecast

The GVP of watermelons in 2008–09 is forecast at \$30 million, 20% higher than Queensland Primary Industries and Fisheries' initial forecast of \$25 million but 14% lower than Queensland Primary Industries and Fisheries' final estimate for 2007–08.

### Discussion

This improved forecast GVP is attributed to higher prices caused by the heat down south and lack of supply. Also, there has been a higher consumer demand due to the hot weather.

Note: Due to the lack of information available at the time of compiling this report, the values of sweetpotatoes, lettuce and mushrooms are assumed to remain the same as the initial forecast published in September 2008.

## Other field crops

### Sugarcane

#### Forecast

The GVP of sugarcane in 2008–09 is forecast at \$920 million, 23% higher than Queensland Primary Industries and Fisheries' final estimate for 2007–08.

#### Discussion

The current forecast is 10% higher than Queensland Primary Industries and Fisheries' September forecast for the year, mainly because of the devaluation of the Australian dollar. The 2008 crop has yielded around 30 million tonnes of sugarcane, at an average Commercial Cane Sugar (CCS) of 14. Price expectations have improved in Australian dollar terms, resulting in an expected crop value of \$920 million, valued at the Queensland Sugar Limited (QSL) Seasonal Pool price.

### Cotton

#### Forecast

The GVP of cotton in 2008–09 is forecast at \$310 million, 18% lower than Queensland Primary Industries and Fisheries' December forecast of \$380 million but almost three times higher than Queensland Primary Industries and Fisheries' final estimate for 2007–08.

#### Discussion

Queensland cotton is expected to have a good season with favourable water availability. However, cotton yield is forecast to decrease in Darling Downs given the drier conditions in January and February. There may be also some reductions in cotton yield in central Queensland due to heavy rainfalls in February.

While world prices for cotton lint have softened, this should not have a significant impact on production value since around 75% of the crop has been forward-sold at good prices.

## Other major field crops

### Chickpeas

#### Forecast

The GVP of chickpeas in 2008–09 is forecast at \$45 million, 20% higher than Queensland Primary Industries and Fisheries' December 2008 forecast but 10% lower than Queensland Primary Industries and Fisheries' final estimate for 2007–08. The fall from last year's GVP is because of a fall in average prices.

#### Discussion

Area sown to chickpeas increased in 2008–09 by 12% to 75 357 hectares. Part of the reason for this increase was high chickpea prices in the March 2008 quarter at planting time, which averaged \$571/tonne.

Production, combined with good average soil moisture conditions in the Queensland chickpea growing areas, is estimated to have increased by 14% in 2008–09 to 102 425 tonnes. The cool weather experienced during the 2008 spring, combined with some good rainfall, enabled good flowering and pod production. This produced good yields per hectare along with sound quality.

However, average chickpea prices, despite recovering since the December 2008 quarter, are still 19% lower in the March 2009 quarter (\$470/tonne) than prices experienced in the June 2008 quarter (\$590/tonne). The price decline has outweighed the impact of increased production; consequently, GVP has reduced by 10% from 2007–08.

### Soybeans

#### Forecast

The GVP of soybeans in 2008–09 is forecast at \$45 million, more than double Queensland Primary Industries and Fisheries' December 2008 forecast and triple Queensland Primary Industries and Fisheries' final estimate for 2007–08.

#### Discussion

The area sown to soybeans for 2008–09 is estimated to have more than quadrupled since 2007–08.

This year has been a record crop, partly because of higher water availability due to higher-than-average summer rainfall in most parts of central and southern Queensland.

However, the increase in soybean area can mostly be attributed to the high price of soybeans (\$600/tonne) around planting time in the December 2008 quarter compared to that of the main summer competitor crop sorghum (price of \$200/tonne in the same quarter). Soybeans have increasingly been sown as a rotation crop with sugarcane (accounting for approximately 40% of the Queensland soybean crop), which also explains part of the increased area sown. Consequently, soybean production is estimated to have more than quadrupled to 86 229 tonnes in 2008–09 from 20 701 tonnes in 2007–08.

Conversely, the price per tonne of soybeans has decreased by 21% from \$633/tonne in the June 2008 quarter to \$500/tonne in the March 2009 quarter. However, the increase in soybean production has more than outweighed the impact of the price decline, causing the GVP to treble.

### Sunflowers

#### Forecast

The GVP of sunflowers in 2008–09 is forecast at \$17.5 million, 17% higher than Queensland Primary Industries and Fisheries' December 2008 forecast but 30% lower than Queensland Primary Industries and Fisheries' final estimate for 2007–08.

#### Discussion

The area sown to sunflowers is estimated to have increased by 21% in 2008–09 to 21 725 hectares compared to the previous year. This is in part due to the higher price of sunflowers (\$603/tonne in the December 2008 quarter) compared to that of sorghum (\$200/tonne in the same quarter). At a price ratio of around 3:1 (sunflower price to sorghum price), sunflowers look like a more attractive crop to producers than sorghum. Also, compared to sunflowers, sorghum is very exposed to export market price declines (all sunflower seed is sold to the domestic market), with domestic demand outstripping supply.

Yields have fallen from the previous year's record, but still remain above the longer term average. The increase in area sown in 2008–09 has been approximately countered by the impact of reduced yields, keeping production relatively unchanged at around 28 000 tonnes.

However, the price of sunflowers has fallen by 24% to \$610/tonne (March 2008–09 quarter) from \$805/tonne (June 2007–08 quarter). This has caused an estimated 30% fall in sunflower GVP from 2007–08 to 2008–09.

### Winter cereal grains

#### Wheat

#### Forecast

The GVP of wheat in 2008–09 is forecast at \$520 million, 24% higher than Queensland Primary Industries and Fisheries' December 2008 forecast and 44% higher than Queensland Primary Industries and Fisheries' final estimate for 2007–08.

#### Discussion

In 2008–09, the GVP of wheat is forecast to increase from the 2007–08 season, due to a doubling of production to 1.82 million tonnes. This is despite a 25% fall in anticipated price, from an average of \$383/tonne in the June quarter of 2007–08 to \$287/tonne over 2008–09 (March quarter).

The doubling in production was due to a 50% increase in area sown, and a 31% increase in yields per hectare. The area sown increased mostly in response to relatively high wheat prices (\$400/tonne in March 2008), a switch away from cotton production, and good soil moisture storage conditions in early 2008.

Although winter rainfall was below average for central and southern Queensland, September rainfalls were above average. This, combined with mild spring conditions, maintained good yields per hectare in 2008–09 (relatively low yields in the 2007–08 winter were attributed to poor average rainfall and soil moisture conditions).

## Barley

### Forecast

The GVP of barley in 2008–09 is forecast at \$35 million, 22% lower than Queensland Primary Industries and Fisheries' initial forecast for 2008–09 and 36% lower than Queensland Primary Industries and Fisheries' final estimate for 2007–08.

### Discussion

The decreased GVP is due entirely to a 25% drop in barley price (from \$282/tonne in the June 2008 quarter to \$212/tonne in the March 2009 quarter). The barley price has followed the downward trend in domestic feedgrain prices over 2008–09, particularly sorghum. The estimate for total production has remained unchanged at around 166 000 tonnes.

## Summer cereal grains

### Grain sorghum

#### Forecast

The GVP of grain sorghum in 2008–09 is forecast at \$265 million, 38% lower than Queensland Primary Industries and Fisheries' initial forecast of \$425 million and 44% lower than Queensland Primary Industries and Fisheries' final estimate for 2007–08.

#### Discussion

The lower forecast GVP for grain sorghum reflects decreased production due to a smaller area sown and a lower price per tonne.

The estimated smaller area planted to sorghum is primarily due to a low sorghum price, which at around \$200/tonne is significantly below the average wheat price of \$286/tonne and the average prices of other summer crops.

Growers were planting increased areas of maize, mungbeans and soybeans in preference to sorghum, and leaving increased areas for fallow in preparation for 2009 winter wheat plantings. The area planted to sorghum decreased by 22% from 2007–08 to 2008–09 (to 441 575 hectares). Yields are also estimated to have fallen by around 20% compared to the bumper 2008 crop. These factors are estimated to reduce sorghum production by around 40% (to 1 302 400 tonnes).

The sorghum price, which has fallen by 26% since the June 2008 quarter, partly reflects relatively low domestic feedgrain demand in the feedlot industry (good summer rainfall in Queensland in 2009 allowed increased grass-feeding of cattle). The lower sorghum price also reflects lower world feedgrain prices due to reduced ethanol demand and associated increases in world feedgrain stocks.

The estimated lower production and price is expected to significantly reduce the GVP of sorghum.

## Maize

### Forecast

The GVP of maize for 2008–09 is forecast at \$55 million, 8% lower than both the September 2008 forecast for 2008–09 and Queensland Primary Industries and Fisheries' final estimate for 2007–08.

### Discussion

Maize production is estimated to have increased by 20% from 2007–08 to 2008–09 (to around 37 000 hectares). This was partly in response to the higher price of maize (\$305/tonne in the December quarter 2008) compared to sorghum (\$200/tonne in the same quarter), which led to an estimated increase in maize plantings.

Area sown and yields have also increased; in the southern Queensland areas of the Western Downs and St George irrigation water storage levels improved over the 6 months to March 2009, making production more viable in these areas. As a result, estimated maize production has increased by 12% to 197 337 tonnes.

However, the average price of maize has decreased by 21% (from \$334/tonne in June 2008 quarter to \$264/tonne in the March 2009 quarter). This has outweighed the expected increase in maize production, causing a net fall in GVP from 2007–08. The price has fallen particularly for feedmaize (compared to gritmaize), following a general decline in feedgrain prices over 2008–09. In 2008–09 it is estimated that feedmaize will account for approximately 70% of Queensland maize production.



## Fisheries

### Forecast

The GVP of commercial fisheries harvested (not including aquaculture) in 2008–09 from Queensland waters—including Commonwealth-managed and Queensland-managed fisheries—is forecast at \$243 million, 2% lower than Queensland Primary Industries and Fisheries' September 2008 forecast.

The GVP of Queensland-managed commercial fisheries is expected to fall from \$170 million in 2007–08 to \$165 million in 2008–09.

The forecast GVP of the Commonwealth-managed commercial fisheries is unchanged at approximately \$78 million.

### Discussion

The forecast fall in GVP of Queensland-managed commercial fisheries is mostly the result of adjustments made to commercial fisheries operating in Moreton Bay Marine Park. These adjustments reduced the number of commercial fishing vessels operating on the east coast of Queensland by 119. Most of these changes apply directly to Moreton Bay, although there is a flow-on effect along the east coast of Queensland.

Floods into the Gulf of Carpentaria and on the north-east coast of Cape York have created optimism for a good prawn season in northern Queensland.

Changes in the Australian dollar (when compared to changes in the currencies of Australia's trading partners), coupled with global economic impacts, have resulted in decreased prices (up to 33%) for premium product such as live coral trout and live tropical rock lobster. This effect will show up mainly in the next financial year and will only have a marginal effect this financial year.

Prices offered to commercial fishers for prawns are unlikely to increase; however, changes to the Australian dollar could be expected to increase the export price, with a flow-on effect into the home consumption price for locally produced prawns. It is anticipated that price competition from other nations into the markets serviced from Australia will be formidable. At the same time, import prices for prawns will be relatively consistent placing a floor in the price being offered for Queensland-produced, wild-caught prawns.

Prices being offered for Queensland caught finfish are unlikely to increase.

At the same time, the price of imported goods (such as fuel) will increase once again. This will tighten the terms of trade for commercial fishers.

## Forestry and logging

### Forecast

The GVP of forestry and logging in 2008–09 is forecast at \$176 million, 5% lower than Queensland Primary Industries and Fisheries' final estimate for 2007–08.

### Discussion

Based on recent data, and following further deterioration in economic conditions since December 2008, Queensland Primary Industries and Fisheries have now revised the 2008–09 forecast total GVP to \$479 million, a decrease of 5% on the original September forecast. The forest growing and first-round processing sectors are now estimated to generate \$176 million and \$303 million in activity respectively.

The Australian Bureau of Statistics (ABS) reported a 50% decrease in the total value of building approvals between January 2008 and 2009, a level not seen since early 1987. January is also the 15th consecutive monthly fall in the total number of dwelling units approved in Queensland (trend data). Compared to other states, Queensland has recorded the largest fall in private sector housing approvals (trend data).

The declining investment in new housing construction is a key driver continuing to impact on the demand for forest products. Queensland's principal forest grower, Forestry Plantations Queensland (FPQ) experienced a significant decline in demand for their products during the first half of the 2008–09 financial year and are expecting a reduction in harvest volumes of 20–30% compared to the 2007–08 financial year. It is expected that sales will remain at these lower levels until at least December 2009.

Furthermore, there are anecdotal reports of rising inventories at some Queensland timber processing plants, declines in production shifts, and further labour shedding. There have also been reports of declines in structural timber sales of up to 60% since January 2009; this is a direct result of the economic crisis. However, demand for timber products from the home renovation market continues to remain strong.

The Department of Environment and Resource Management's (Natural Resources and Water) Forest Products Group has responsibility for managing commercial native forest resources in state-owned native forests and is a significant supplier of hardwood and cypress log timber to the Queensland forest industry. Natural Resources and Water have reported a reduction in log timber sales of almost 21% (275 000 cubic metres sold) in the 12 months to 31 December 2008 compared to the previous year. Although Natural Resources and Water underwent a rationalisation of log timber supplies following the outcomes of the Statewide Forests Process for the Western Hardwoods Region, a further reduction in sales was experienced in the last quarter of the year as a result of the current global financial situation.

Following the expansion of the first home owners grant, November 2008 saw the highest proportion of first home-buyers obtaining finance since February 2002. It also marked the first increase in finance approvals for owner-occupied dwellings since May 2007. There is also an early indication of increased activity in the US market with housing starts in February up 22.2% from the revised January estimate (US Census Bureau and Department of Housing and Urban Development).

Although Queensland Treasury's Office of Economic and Statistical Research (OESR) are expecting dwelling investment to weaken in the short term—suggesting that a recovery in dwelling investment will not start until 2009–10—the medium-term outlook for the Queensland forest industry remains strong. This positive outlook is supported by drivers such as continued strong population growth in Queensland, positive climate and environmental outcomes, cuts to interest rates, continued activity in the dwelling renovation market, and government policy initiatives designed to restore economic confidence (e.g. an expansion of the government first home owner grant).

## Key assumptions

When calculating these forecasts, the department follows the convention used by all government forecasting agencies: that 'normal' seasonal conditions will occur across Queensland throughout the forecast year (2008–09) or that part of the forecast year yet to be completed. This sets a benchmark for measuring variations from 'normal' throughout the season.

The prices of all internationally traded commodities are responsive to changes in the exchange rate of the Australian dollar (A\$), relative to the currencies of our trading partners. Prices to primary producers (and therefore gross unit values) decline when the A\$ exchange rate increases and vice versa.

## Notes

**Gross value of commodities produced (GVP).** GVP is a measure of economic output. In this publication, GVP relates to the output of primary industry commercial operations only.

GVP is the value of recorded production at wholesale prices realised in the market place (e.g. cattle sold at saleyards, sugarcane at the mill door, fruit and vegetables at the wholesale market). It is derived by multiplying the output from each primary industry by the average wholesale price paid to producers.

**Value-added production** is measured as the value of the output produced minus the costs of the intermediate inputs.

## Acknowledgements

This report was researched and compiled by Queensland Primary Industries and Fisheries staff: George Antony, Kimberly Cook, Liz Cox, Alexis Donald, Sarah Goswami, David Holdom, Karl Kloessing, Mary-Anne Franco-Dixon, Yen Nguyen, Alex Francis, Cameron Thomas, Ken Smith, Stephanie Kratzmann, Ross Lobegeiger, Josh Maroske, Jan Paff, Angela Smith, Nicholas Swadling, Barry Underhill and Lew Williams.

The department acknowledges the contributions of industry representatives, Queensland Primary Industries and Fisheries researchers and industry experts, market commentators, Herron Todd White (HTW), the Office of Economic and Statistical Research (OESR), the Australian Bureau of Agricultural and Resource Economics (ABARE), the Australian Bureau of Statistics (ABS), Meat and Livestock Australia (MLA) and various industry news media.

## Disclaimer

The Department of Employment, Economic Development and Innovation (DEEDI) advises that this particular publication should not be relied upon as financial advice and that you should seek your own independent financial advice. DEEDI disclaims all liability for all claims, loss, damages, cost or expense of whatever nature, howsoever occurring as a result of reliance upon the information contained in this report.

While every care has been taken in preparing this publication, the State of Queensland accepts no responsibility for decisions or actions taken as a result of any data, information, statement or advice, expressed or implied, contained in this report.

## Contact

Contact us on **13 25 23**.

Visit [www.dpi.qld.gov.au](http://www.dpi.qld.gov.au) for this and previous editions of *Prospects update* and *Prospects* for Queensland's primary industries.

© The State of Queensland, Department of Employment, Economic Development and Innovation 2009.

Inquiries to [copyright@dpi.qld.gov.au](mailto:copyright@dpi.qld.gov.au)  
(telephone +61 7 3404 6999).

PR09-4358