

Prospects update

June 2008



This June 2008 edition of *Prospects update* contains the Department of Primary Industries and Fisheries' (DPI&F) final, revised forecasts for Queensland's primary industry commodities for 2007–08.

Forecasts for the commodities listed below are included in this edition of *Prospects update*, as they have changed from the forecasts published in the September 2007 edition of *Prospects* for Queensland's Primary Industries (Prospects) and/or the December 2007 and March 2008 editions of *Prospects update*.

Forecasts included in this edition that have been revised up from previous DPI&F forecasts for 2007–08 are:

- Sheep and lambs—\$60 million
- Eggs—\$110 million
- Cotton—\$110 million
- Soybeans—\$15 million
- Sunflower seeds—\$25 million
- Wheat—\$360 million
- Grain sorghum—\$475 million
- Maize—\$60 million.

Forecasts included in this edition that have been revised down from previous DPI&F forecasts for 2007–08 are:

- Cattle and calves—\$3.37 billion
- Tomatoes—\$205 million
- Sugarcane—\$750 million
- Peanuts—\$25 million
- Trawl fishing—\$80 million.

In addition, in Table 1, 2005–06 estimates have been updated with the recently released Australian Bureau of Statistics (ABS) final gross value of production (GVP)¹ estimates, and selected commodities have been updated with 2006–07 ABS preliminary estimates.

¹ 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.

At a glance

In 2007–08, the total value of Queensland's primary industry commodities is forecast at approximately \$12.289 billion (comprising GVP at the farm gate and first-round processing²).

This is 1% lower than 2006–07.

Gross value of production at the farm gate

In 2007–08, the GVP of Queensland's primary industry commodities at the farm gate is forecast at \$9.435 billion.

This is 1% lower than 2006–07.

First-round processing

In 2007–08, the value of first-round processing² (or value-added production) is forecast at \$2.854 billion.

This is 1% lower than 2006–07.

² First-round processing (or value-added production) is measured as the value of the output produced minus the costs of the intermediate inputs.



Table 1. GVP^a, first-round processing and total estimates^b and forecasts for the major primary industry commodities in Queensland from 2005–06 to 2007–08, including the change between this year's forecast and last year's estimate.

Commodity GVP ^a	2005-06 ^b	2006-07 ^b	2007-08 ^d	change 2006–07 to 2007–08
	\$m	\$m	\$m	%
Livestock disposals				
Cattle and calves	3607	3802	3370	-11
Sheep and lambs	49	45	60	33
Pigs	230	237	220	-7
Poultry	223	237	300	27
Other livestock	16	23	15	-35
Total livestock disposals	4125	4344	3965	-9
Livestock products				
Wool	106	120	120	0
Milk (all purpose)	218	207	255	23
Eggs	91	111	110	-1
Total livestock products^e	415	438	485	11
Total livestock	4540	4782	4450	-7
Horticulture				
Fruit and nuts				
Bananas	380	400 ^c	500	25
Pineapples	71	65 ^c	70	8
Mangoes	58	80 ^c	45	-44
Mandarins	69	90 ^c	95	6
Strawberries	73	120 ^c	130	8
Avocados	51	75 ^c	80	7
Macadamias	39	40 ^c	25	-38
Apples	21	33	50	52
Table grapes	33	48	40	-17
Other fruit and nuts	116	95 ^c	105	11
Total fruit	911	1046^c	1140	9
Vegetables				
Potatoes	47	53	45	-15
Tomatoes	145	180	205	14
Capsicums & chillies ^f	143	100 ^c	100	0
Other vegetables	610	470 ^c	430	-9
Total vegetables	945	803^c	780	-3
Total fruit and vegetables	1856	1849^c	1920	4
Amenity horticulture				
Nurseries ^c	182	375	410	9
Turf ^c	78	65	70	8
Cut flowers ^c	37	115	125	9
Total amenity horticulture	297	555	605	9
Total horticulture	2153	2404	2525	5
Other field crops				
Sugarcane ^g	963	1075	750	-30
Cotton (raw) ^h	359	122	110	-10
Other crops	239	260 ^c	150	-42
Total other crops	1561	1457	1010	-31
Cereal grains				
Wheat	241	181	360	99
Barley	23	13	55	323
Grain sorghum	157	195	475	144
Maize	24	25 ^c	60	140
Other cereal grains	9	15 ^c	20	33
Total cereal grains	454	429	970	126

Commodity GVP ^a	2005-06 ^b	2006-07 ^b	2007-08 ^d	change 2006-07 to 2007-08
	\$m	\$m	\$m	%
Total crops	4168	4290	4505	5
Total agriculture	8708	9072	8955	-1
Fisheries^{ci}				
Trawl	100	85	80	-6
Non-trawl	85	105	105	0
Aquaculture	65	65	85	31
Total fisheries	250	255	270	6
Forestry and logging^{ci}	190	200	210	5
Total primary industries (farm gate)	9148	9527	9435	-1
First round processing (value added)^k				
Meat processing ^c	971	1022	933	-9
Sugar processing ^c	404	452	315	-30
Milk and cream processing ^c	119	113	140	23
Fruit and vegetables processing ^c	183	182	189	4
Flour mill and feed processing ^c	85	80	181	126
Seafood processing ^c	18	18	20	6
Log sawmilling and timber dressing and plywood and veneer manufacturing ^c	330	347	365	5
Lifestyle horticulture services ^c	615	665	700	5
Cotton ginning ^c	41	14	13	-10
Total primary industries (first round processing)	2766	2894	2854	-1
Total primary industries	11914	12421	12289	-1

(a) *Gross value of production* 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 2005-06 and preliminary estimates for 2006-07 unless otherwise indicated.

(c) DPI&F estimates.

(d) DPI&F forecasts.

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

(f) DPI&F 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*.



Climate outlook for autumn 2007–08

While summer rainfall was above average for many areas in the eastern and central districts, the falls received in the far west were very much below average. Despite summer rains, many areas remain drought declared. Following on from the patchy summer rains has been a very dry autumn. According to the Bureau of Meteorology, many centres received their lowest April rainfalls.

Based on the April Southern Oscillation Index (SOI) and historical rainfall records, the outlook for May to July indicates a 40–60% chance of receiving above median rainfall. In other words, there is an even chance of getting above average winter rain.

Some areas in northern Queensland show higher chances of exceeding their median winter rainfall. However, over winter, rainfall is low in these areas (the dry season). An above average outlook should be applied with care to risk management scenarios as even very low totals might be considered 'above average'.

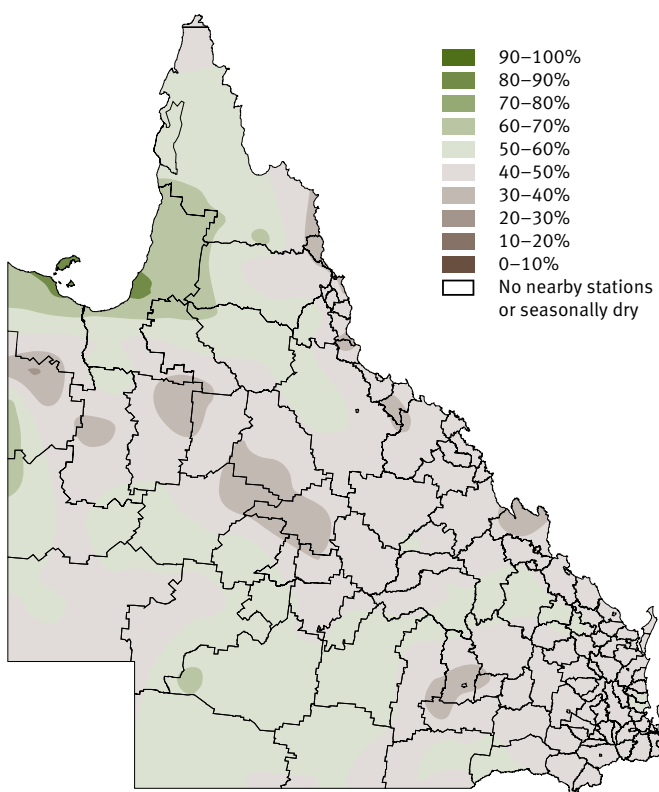


Figure 1. Probability of exceeding median rainfall for May–July based on consistently positive phase during March–April.

Source: Queensland Climate Change Centre of Excellence, May 14, 2008.

Further analysis indicates rainfall for Queensland is likely to be close to the long-term average (or middle third) rather than well above (upper third) or well below average (lower third).

The SOI phase has been 'consistently positive' (Phase 2) for the past few months. However, the La Niña sea surface temperature pattern is breaking down and neutral conditions prevail. Neutral El Niño Southern Oscillation (ENSO) conditions are forecast until at least spring.

The next passage of the Madden-Julian Oscillation (MJO)³ is due mid-June. The MJO enhances northern Australia winter rainfall probabilities during Phases 4 and 5. Southern Australian rainfall is enhanced by the winter passage of the MJO during Phases 5 and 6.

Livestock disposals

Cattle and calf disposals

Forecast

The GVP of cattle and calf disposals (includes both animals sold for slaughter and live exports) for 2007–08 is forecast at \$3.37 billion, 11% lower than 2006–07.

Cattle and calves sold for slaughter (not including live exports)

Forecast

The GVP for cattle and calf slaughterings (not including live exports) for 2007–08 is forecast at \$3.3 billion.

Discussion

At the beginning of the financial year, it was anticipated that Queensland slaughter numbers in 2007–08 would be similar to 2006–07 (3.9 million head). The current forecast is based on total cattle and calf slaughterings of just under 3.5 million head.

Lower cattle prices, high feed grain prices and an increase in availability of stock from southern states contributed to a fall in slaughter numbers early in the financial year.

As the year progressed, the summer rains brought prospects of better pasture growth, encouraging some producers to hold on to stock and to rebuild herds.

The combination of lower cattle prices, high feed grain prices, summer rains and herd rebuilding impacted on the number of cattle in feedlots and slaughter numbers for the remainder of the financial year.

³ The MJO is a tropical band of low air pressure originating off the east coast of central Africa and travelling eastward across the Indian Ocean and northern Australia roughly every 30 to 60 days.

Feedlots

The number of cattle on feed in Queensland has generally trended downwards since reaching a peak in June 2006, and continued to fall in the March 2008 quarter despite a decline in grain prices.

In the March 2008 quarter, Queensland's feedlots were operating at just under 50% capacity with 277 159 cattle on feed—the lowest since December 2000. In the corresponding quarter of 2007, Queensland's feedlots were operating at 77% capacity with 423 923 cattle on feed.

Queensland grain-fed cattle turnoff in the March quarter of 2008 was 35% lower than at the same time last year—the lowest quarterly turnoff since 1999. Turnoff from Queensland's feedlots generally accounts for approximately 40% of Queensland's total slaughter. Declines in the number of cattle on feed have a significant impact on total slaughter numbers and beef production in Queensland.

Despite the downturn in the number of cattle on feed, Queensland's feedlot capacity continues to expand. The Minister for Primary Industries and Fisheries, the Hon. Tim Mulherin, recently opened Grassdale Feedlot near Dalby—one of the largest and most technically advanced feedlots in Australia. When running at full capacity, the feedlot will hold 48 000 cattle.

Sheep and lambs

Forecast

The GVP of sheep and lambs sold for slaughter in 2007–08 is forecast at \$60 million, 33% higher than ABS's preliminary estimate for 2006–07.

Discussion

The current forecast is higher than last year and higher than DPI&F's previous forecasts for 2007–08. The increase in the forecast GVP is due mainly to higher prices received for both sheep and lambs, as well as a slightly higher proportion of lambs in the total slaughterings. Prices in 2007–08 have been higher than those in 2006–07 due to lower quantity of sheep and lambs slaughtered nationally, reflecting the reduced national flock due to previous drought years.

Livestock products

Eggs

Forecast

The GVP of eggs in 2007–08 is now forecast at \$110 million, the same as ABS's preliminary estimate for 2006–07.

Discussion

Farm gate prices in the egg industry have risen slightly as excess supplies have been depleted bringing GVP up to last year's level.

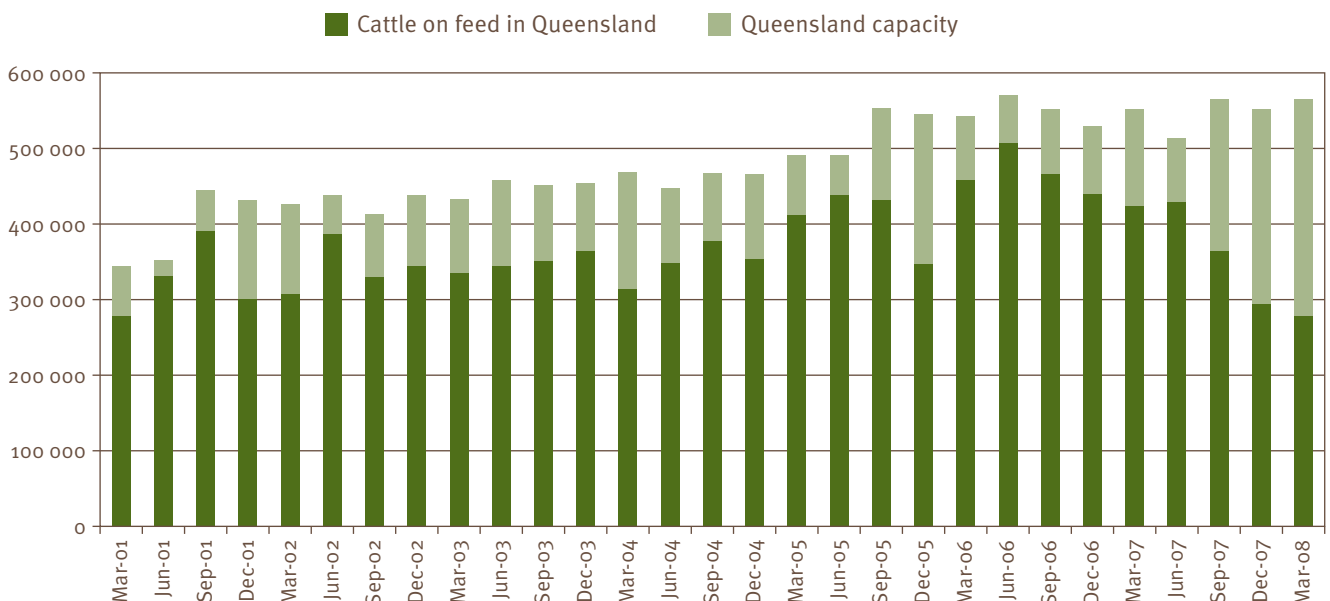


Figure 2. Cattle on feed and feedlot capacity, Queensland, March 2001 to March 2008.

Source: Australian Lot Feeders' Association (ALFA)/Meat and Livestock Australia (MLA), March 2008, National Accredited Feedlot Survey.

Horticulture

Tomatoes

Forecast

The GVP of tomatoes in 2007–08 is now forecast at \$205 million, 14% higher than ABS's preliminary estimate for 2006–07.

Discussion

While the current forecast of \$205 million is higher than last year, it is 9% lower than DPI&F's March 2008 forecast. In the final quarter of the 2007–08 financial year, cool weather delayed planting—resulting in a short-term excess in supply and subsequent lower prices. Yields were also down due to the unseasonal wet growing conditions.

Other crops

Sugarcane

Forecast

The GVP of the 2007 Queensland sugarcane crop is forecast at \$750 million, 30% lower than ABS's preliminary estimate for 2006–07.

Discussion

The current forecast is higher than both DPI&F's initial forecast and that made in the December 2007 edition of *Prospects update*. Most of the crop had been priced by December. A subsequent upturn in the sugar market peaked in February, and prices have eased back since. Valued at the current likely Queensland Sugar Limited (QSL) discretionary pool price for 2007, the expected 2007 crop value is \$750 million. However, due to the increasing use of pro-active pricing arrangements by the industry, this is a conservative estimate.

Cotton

Forecast

The GVP of cotton in 2007–08 is forecast at \$110 million, 10% less than ABS's preliminary estimate for 2006–07.

Discussion

The current GVP forecast of \$110 million is higher than DPI&F's March 2008 forecast, but the lowest in 10 years due to ongoing water scarcity. The rain in January and February came too late in the growing season to plant additional crops, but has benefited crops planted at the time.

Flooding in the Emerald region following the monsoonal rains adversely affected cotton crops in the region. However, these losses were outweighed by increased yields to crops in other parts of the state (as a result of the monsoonal rains).

Other major field crops

Peanuts

Forecast

The GVP of peanuts in 2007–08 is forecast at \$25 million, 47% higher than ABS's preliminary estimate for 2006–07.

Discussion

While the current forecast is lower than previous DPI&F forecasts for peanuts for the year, the GVP of peanuts in 2007–08 is higher than the GVP of peanuts in 2006–07. This is due mainly to higher yields and higher prices as a result of rain on the majority of dryland peanuts in January, which slightly increased both yield and quality.

Soybeans

Forecast

The GVP of soybeans in 2007–08 is forecast at \$15 million, triple DPI&F's estimate for 2006–07.

Discussion

The increase in GVP is due to a combination of a greater area of planted soybeans and higher prices.

Sunflower seed

Forecast

The GVP of sunflower seed is forecast at \$25 million in 2007–08, 11 times DPI&F's estimate for 2006–07.

Discussion

The increase in forecast GVP is due to a combination of higher area planted and higher prices. Sunflower prices have been high in 2007–08 reflecting low national supply and the usual high domestic demand. The high prices encouraged a large late planting of sunflowers in Queensland after significant rain in December and January.



Winter cereal grains

Wheat

Forecast

The GVP of wheat in 2007–08 is forecast at \$360 million, double ABS's preliminary estimate for 2006–07.

Discussion

The current forecast of \$360 million is also higher than DPI&F's March 2008 forecast. The higher forecast GVP is due to a combination of slightly higher production as well as higher prices throughout the year. Total production is forecast at around 930 000 tonnes in 2007–08.

Summer cereal grains

Grain sorghum

Forecast

The GVP of sorghum is forecast at \$475 million, more than double ABS's preliminary estimate for 2006–07.

Discussion

The current forecast of \$475 million is also higher than DPI&F's March 2008 forecast of \$410 million. The increase in GVP is due to a larger area of planted sorghum and higher production as a result of rain in December and January. Total sorghum production is forecast to be around 1.795 million tonnes.

Maize

Forecast

The GVP of maize in 2007–08 is forecast at \$60 million, more than double ABS's preliminary estimate for 2006–07.

Discussion

The current forecast of \$60 million is also higher than DPI&F's March 2008 forecast of \$55 million. The increase in GVP is due partly to a larger area of planted maize than in the previous year, and partly to increased yields of dryland maize following rain in December and January. Production of maize for grain in 2007–08 is forecast at around 176 000 tonnes.

Fisheries

Forecast

The GVP of trawl fisheries in 2007–08 is forecast at \$80 million, 6% lower than 2006–07.

Discussion

The GVP of trawl fisheries is expected to decline by 6% as a result of trawl operators' lack of confidence. For example, the price currently being offered to fishers for prawns is considered too low for profitable operations. Good harvests of banana prawns on the east coast of Queensland and in the Gulf of Carpentaria have resulted in large volumes of prawns held in cold storage, which also exerts a downward trend on prawn prices. At the same time daily mean catch rates are at 'normal' levels.

Forestry

Forecast

The GVP of Queensland's forest-growing sector is forecast at \$210 million, 5% higher than 2006–07 and the same as that forecast in the September 2007 edition of *Prospects for Queensland's Primary Industries*.

In addition, the first-stage processing value is forecast at \$365 million, making the total forest industry forecast \$575 million.

While DPI&F expects that the 2007–08 forecast will be realised, there are some signs that the demand for forest products in Queensland may soften over the next six months.

Discussion

Residential building activity is the main driver of the demand for forest products. Queensland Treasury has reported a decline in the total number of dwelling approvals in Queensland in each of the five months to February 2008. The price of Queensland forest products has also reportedly increased throughout 2007–08 as a result of rising costs of production.

Rising interest rates and increasing negative sentiment about economic conditions appear to be negatively impacting on building activity, and this is expected to soften the demand for Queensland forest products in the first half of 2008–09. However, over the longer term, investment in the dwelling sector in Queensland should continue to be sustained by strong population growth, low rental vacancy rates, and the strong labour market.

Forestry Plantations Queensland, Queensland's largest forest grower, also anticipates that the increasing adoption of chain-of-custody accreditation by the Queensland processing sector under Australian Forestry Standard Certification Scheme will allow the Queensland forest industry to benefit from the increasing demand for 'environmentally certified' timber (driven by consumer environmental awareness).

Other factors impacting on the medium-term demand and supply of Queensland forest products include the strong Australian dollar and, consequently, the increasing competitiveness of overseas producers in the local market. For example, South American producers of structural timber products are currently seeking alternative export markets as a result of the crash in the large United States dwelling construction market (due to ongoing impacts of the sub-prime mortgage crisis). Supply constraints will also continue to limit the ability of the Queensland forest industry to respond to further demand growth.

Key assumptions

When calculating these forecasts, DPI&F follows the convention used by all government forecasting agencies—that ‘normal’ seasonal conditions will occur across Queensland throughout the forecast year (e.g. 2007–08) or the part of the forecast year yet to be completed. This sets a benchmark for measuring variations from ‘normal’ as the season unfolds.

The prices of all internationally-traded commodities are responsive to changes in the exchange rate of the Australian dollar, 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

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First-round processing (or value-added production) is measured as the value of the output produced minus the costs of the intermediate inputs.

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Contact

Contact the Business Information Centre on **13 25 23**.

Visit www.dpi.qld.gov.au to see the current and previous editions of *Prospects update*.

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