Agriculture and Forestry in the Central West region of New South Wales, 2013

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About my region 13.3

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1 Regional overview

The Central West region of New South Wales is located west of Sydney and the Great Dividing Range, extending from Lithgow into the plains areas surrounding Condobolin and West Wyalong (Map 1). The region comprises eleven local government areas of Bathurst Regional, Bland, Blayney, Cowra, Forbes, Lachlan, Lithgow, Mid-Western Regional, Orange, Parkes and Weddin; and parts of Blue Mountains, Cabonne, Oberon, Singleton, Warrumbungle Shire and Wellington. The region covers a total area of around 70 300 square kilometres or 9 per cent of New South Wales and is home to approximately 196 700 people (ABS 2011).

The total land held by farm businesses was estimated to be 5.6 million hectares in the Central West region in 2010–11. Agricultural land in the region was mainly used for grazing (3.4 million hectares), and cropping (1.8 million hectares) with some forestry (12 974 hectares) also taking place. In addition, 209 745 hectares of land held by farm businesses was set aside for conservation (ABS 2012).

Map 1 Central West region of New South Wales

Employment

Australian Bureau of Statistics (ABS) census data from 2011 indicate that around 85 700 people were employed in the Central West region. The Central West region accounts for 3 per cent of total employment in New South Wales and 12 per cent of all people employed in the New South Wales agriculture, forestry and fishing sector.
Health care and social assistance was the largest employment sector with 10,188 people (Figure 1), followed by retail trade (8,915 people). Other relatively major employment sectors in the region were education and training (7,512 people), and manufacturing (7,062 people).

The agriculture, forestry and fishing sector employed 8,578 people, representing 10 per cent of the region's workforce. Of this, 93 per cent were employed in agriculture, 4 per cent in support services for agriculture, forestry and fishing, and 2 per cent in forestry and logging. In addition, an estimated 2,040 people were employed in food product manufacturing and 767 people were employed in wood, pulp and paper product manufacturing in the region (included in manufacturing sector employment).

Figure 1 Employment profile, Central West region, August 2011

Source: Australian Bureau of Statistics
2 Agriculture sector

Value of agricultural production

In 2010–11 the gross value of agricultural production (GVAP) in the Central West region was $1.6 billion, which was 13 per cent of the total gross value of agricultural production in New South Wales ($11.7 billion) for 2010–11. This is the most recent year for which data are available from the ABS on GVAP by statistical area.

The Central West region has a diverse agricultural sector, with considerable cereal crop and livestock production, and also significant horticultural outputs. In 2010–11, the Central West region accounted for around 40 per cent of the total value of oats production in New South Wales, 26 per cent of the total value of barley, and 21 per cent of the total value of wheat. It also accounted for 32 per cent of egg production, 36 per cent of apple production and over 40 per cent of New South Wales cauliflower, sweet corn and green pea production.

The most important commodity in the Central West region based on agricultural output value, was wheat, which contributed 33 per cent ($516 million) to the total gross value of agricultural production in the region (Figure 2). In 2010–11, wool accounted for 12 per cent ($187 million) of total regional output, cattle and calves 11 per cent ($170 million), barley 8 per cent ($124 million) and sheep and lambs 8 per cent ($123 million).

Figure 2 Value of agricultural production, Central West region, New South Wales, 2010–11

Number and type of farms

ABS data indicate that in 2010–11 there were 6424 farms in the Central West region with an estimated value of agricultural operations of more than $5000 (Table 1). The region contains 15 per cent of all farm businesses in New South Wales.
Table 1 Number of farms, by industry classification, 2010–11

<table>
<thead>
<tr>
<th>Industry Classification</th>
<th>Central West region</th>
<th>New South Wales</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>no.</td>
<td>%</td>
</tr>
<tr>
<td>Beef cattle</td>
<td>1,478</td>
<td>23</td>
</tr>
<tr>
<td>Mixed grains and livestock</td>
<td>1,199</td>
<td>19</td>
</tr>
<tr>
<td>Sheep</td>
<td>1,041</td>
<td>16</td>
</tr>
<tr>
<td>Mixed livestock</td>
<td>655</td>
<td>10</td>
</tr>
<tr>
<td>Grain growing</td>
<td>642</td>
<td>10</td>
</tr>
<tr>
<td>Other livestock</td>
<td>358</td>
<td>6</td>
</tr>
<tr>
<td>Fruit and nuts</td>
<td>245</td>
<td>4</td>
</tr>
<tr>
<td>Other crop growing</td>
<td>65</td>
<td>1</td>
</tr>
<tr>
<td>Other</td>
<td>740</td>
<td>12</td>
</tr>
<tr>
<td>Total Agriculture</td>
<td>6,424</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: Where the estimated value of agricultural operations is more than $5000.

Source: Australian Bureau of Statistics

Farms are classified in Table 1 according to the activities that generate most of their value of production. Beef cattle (1478 farms) were the most common, accounting for 23 per cent of all farms in the Central West, and 11 per cent of all beef cattle farms in New South Wales.

A large proportion of farms in the region are small in terms of their business size. Estimated value of agricultural operations (EVAO) is a measure of the value of production from farms and a measure of their business size, and is somewhat similar to turnover. Around 41 per cent of farms in the Central West region had an EVAO of less than $50,000 (Figure 3). These farms accounted for only 5 per cent of the total value of agricultural operations in 2010–11. In comparison, 14 per cent of farms in the region had an EVAO of more than $350,000 and accounted for an estimated 61 per cent of the total value of agricultural operations in the region in 2010–11.

Figure 3 Distribution of farms by estimated value of agricultural operations, Central West region, New South Wales, 2010–11

Source: Australian Bureau of Statistics
Farm financial performance—New South Wales

Each year, ABARES interviews Australian broadacre and dairy producers as part of its annual survey program. Broadacre industries covered in this survey include the grains, grains–livestock, sheep, beef and sheep–beef industries. The information collected is a basis for analysing the current financial position of farms in these industries and expected changes in the short term. This paper uses data from the ABARES Australian agriculture and grazing industries survey (AAGIS) and Australian dairy industry survey (ADIS) to compare estimates of financial performance indicators (Box 1) for broadacre and dairy farms in New South Wales.

Box 1 Definitions

**Major financial performance indicators**

- **Total cash receipts**: total revenues received by the business during the financial year.
- **Total cash costs**: payments made by the business for materials and services and for permanent and casual hired labour (excluding owner manager, partner and family labour).
- **Farm cash income**: total cash receipts – total cash costs
- **Farm business profit**: farm cash income + changes in trading stocks – depreciation – imputed labour costs
- **Profit at full equity**: return produced by all the resources used in the business, farm business profit + rent + interest + finance lease payments – depreciation on leased items
- **Rate of return**: return to all capital used, profit at full equity * 100 / total opening capital
- **Equity ratio**: Farm capital minus farm debt expressed as a percentage of farm capital

**Industry types**

- **Grains**: farms mainly engaged in producing broadacre crops such as wheat, coarse grains, oilseeds and pulses, and including farms running sheep and/or beef cattle in conjunction with substantial broadacre crop activity.
- **Sheep**: farms mainly engaged in running sheep.
- **Beef**: farms mainly engaged in running beef cattle.
- **Dairy**: farms mainly engaged in milk production.

**Performance of broadacre farms—New South Wales**

Average broadacre farm cash income for 2012–13 is projected to increase slightly compared to that recorded in 2011–12. Overall, a small increase is expected in crop receipts with higher grain prices generally expected to offset lower production compared with 2011–12. Change in farm cash income is expected to vary across industries and regions. Small increases in farm cash incomes are expected for many grain farms in 2012–13, including farms growing rice. However, receipts from livestock and wool are projected to decline, due to lower sheep, wool and beef prices and despite an increase in the number of sheep, lambs and cattle expected to be sold.
On average, farm cash income of broadacre farms in New South Wales is projected to average $73,000 a farm in 2012–13 (Table 2), which is around 30 per cent above the average farm cash income recorded for the 10 years to 2011–12 (Figure 4).

Farm cash incomes are projected to increase in the main grain growing regions of north western New South Wales, central New South Wales and the Riverina in 2012–13. However, in Far Western New South Wales, the Northern, Central and Southern Tablelands regions, farm cash incomes are projected to decline due to reduced livestock and wool receipts.

Despite an increase in average farm cash income, average farm business profit is projected to decline as the rate of increase in sheep and beef cattle numbers slows and as stocks of grain on-farm are reduced relative to those held in 2011–12.

**Figure 4 Real farm cash income, broadacre industries, average per farm**

![Graph showing real farm cash income from 2000-01 to 2012-13 for Australia and New South Wales.](image)

Note: **p** Preliminary estimate. **y** Provisional estimate.

**Table 2 Financial performance, New South Wales broadacre industries, 2010–11 to 2012–13, average per farm**

<table>
<thead>
<tr>
<th>Performance indicator</th>
<th>units</th>
<th>2010–11</th>
<th>2011–12</th>
<th>RSE (%)</th>
<th>2012–13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cash receipts</td>
<td>$</td>
<td>371,670</td>
<td>343,700</td>
<td>(5)</td>
<td>340,000</td>
</tr>
<tr>
<td>Total cash costs</td>
<td>$</td>
<td>268,800</td>
<td>272,400</td>
<td>(5)</td>
<td>267,000</td>
</tr>
<tr>
<td>Farm cash income</td>
<td>$</td>
<td>102,870</td>
<td>71,300</td>
<td>(11)</td>
<td>73,000</td>
</tr>
<tr>
<td>Farms with negative farm cash income</td>
<td>%</td>
<td>27</td>
<td>32</td>
<td>(11)</td>
<td>32</td>
</tr>
<tr>
<td>Farm business profit</td>
<td>$</td>
<td>67,590</td>
<td>8,300</td>
<td>(91)</td>
<td>-11,000</td>
</tr>
<tr>
<td>Profit at full equity - excluding capital appreciation</td>
<td>$</td>
<td>104,840</td>
<td>27,900</td>
<td>(29)</td>
<td>21,000</td>
</tr>
<tr>
<td>Farm capital at 1 July</td>
<td>$</td>
<td>3,390,700</td>
<td>3,420,100</td>
<td>(4)</td>
<td>na</td>
</tr>
<tr>
<td>Farm debt at 30 June</td>
<td>$</td>
<td>437,610</td>
<td>446,300</td>
<td>(9)</td>
<td>420,000</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>%</td>
<td>87</td>
<td>87</td>
<td>(1)</td>
<td>na</td>
</tr>
<tr>
<td>Rate of return - excluding capital appreciation</td>
<td>%</td>
<td>3.2</td>
<td>0.8</td>
<td>(28)</td>
<td>0.7</td>
</tr>
<tr>
<td>Off-farm income of owner manager and spouse</td>
<td>$</td>
<td>35,180</td>
<td>33,600</td>
<td>(11)</td>
<td>na</td>
</tr>
</tbody>
</table>

Note: **a** Excludes leased plant and equipment. **b** Average per responding farm. **c** Rate of return to farm capital at 1 July. **p** ABARES preliminary estimates. **y** ABARES provisional estimates. **na** Not available. **RSE** Relative standard errors, expressed as a percentage of the estimate provided.
Performance of grains industry farms—New South Wales

Average farm cash income for New South Wales grains industry farms declined in 2011–12 compared with 2010–11. Record grain and oilseed production in 2010–11 resulted in the carryover of substantial grain stocks into 2011–12. Sale of on-farm grain stocks boosted crop receipts and helped offset the effect on crop receipts of lower grain and oilseed production combined with lower grain prices. The selling down of grain stocks cushioned the decline in farm cash income for grains industry farms but lowered the value of on-farm stocks, resulting in a larger decline in farm business profit in 2011–12.

In 2012–13, crop receipts are projected to increase by around 8 per cent for New South Wales grains farms as higher crop prices more than offset reductions in crop production resulting from drier conditions through winter and spring in most regions and high temperatures in northern summer cropping regions mid-summer. On mixed enterprise farms, increased crop receipts are expected to be partly offset by reduced receipts from sheep and due to lower sheep, lamb and wool prices and in spite of a small increase in beef cattle receipts as drier conditions result in increased cattle turnoff.

Farm cash income for New South Wales grains industry farms is projected to average $139 000 a farm in 2012–13, an increase on the average farm cash income for 2011–12, and around 75 per cent above the industry average for the previous 10 years (Figure 5). However, farm cash incomes for New South Wales grains industry farms were markedly reduced by dry conditions throughout much of this decade.

Figure 5 Real farm cash income, grains industry, average per farm

Performance of sheep industry farms—New South Wales

Farm cash incomes have been relatively high in historical terms for New South Wales sheep industry farms in recent years (Figure 6).

In 2011–12 a small reduction in average prices received for adult sheep and lambs resulted in a small decline in average farm receipts for New South Wales sheep industry farms. Despite a reduction in average cash costs resulting mainly from reduced expenditure on sheep purchases,
average farm cash income for sheep industry farms declined slightly to an average of $81 300 per farm.

In 2012–13, lower prices for adult sheep, lambs and wool are projected to far outweigh small increases in wool production and in sheep and lamb turnoff, together with reductions in expenditure on sheep purchases and interest payments. Adult sheep prices received are expected to decline by around 30 per cent; lamb prices by around 20 per cent and the average wool price received by around 17 per cent.

As a result, average farm cash income for sheep industry farms is projected to decline to average $44 000 per farm, which is around 3 per cent below the industry average of $46 000 per farm for the previous 10 years, in real terms.

**Figure 6 Real farm cash income, sheep industry, average per farm**

Note: p Preliminary estimate. y Provisional estimate.

**Performance of beef industry farms—New South Wales**

A smaller average herd size for New South Wales beef industry farms compared with the average for the whole of Australia results in average farm cash income for New South Wales beef industry farms typically being below the national average (Figure 7).

Turnoff of beef cattle declined slightly in 2011–12 compared with 2010–11, but was offset by an increase of around 3 per cent in average sale prices for beef cattle to result in a small increase in total cash receipts. Increased receipts combined with a reduction in expenditure on cattle purchases together with reduced interest payments resulted in average farm cash income for New South Wales beef industry farms increasing to an average of $31 000 per farm.

In 2012–13 drier seasonal conditions are expected to result in an increase in beef cattle turnoff, in all New South Wales regions and a slow-down in the rate of increase in herd sizes. Lower average sale prices for beef cattle are projected to more than offset the increase in turnoff to result in average beef cattle receipts declining by around 2 per cent. Despite a further reduction in expenditure on beef cattle purchases and lower interest expenditure, farm cash costs are projected to increase. Lower farm receipts and higher farm cash costs are projected to result in average farm cash income for New South Wales beef industry farms declining to average
$21,000 per farm in 2012–13. This is around 35 per cent below the average of $33,000 for the previous 10 years, in real terms (Figure 7).

Figure 7 Real farm cash income, beef industry, average per farm

Performance of dairy industry farms—New South Wales

In 2011–12, a small increase in average farm cash income is estimated for dairy farms in New South Wales. Milk production increased by around 4 per cent, more than offsetting a reduction of around 1 per cent in the average farmgate milk price received as well as an increase of around 2 per cent in total cash costs. Farm cash income for New South Wales dairy farms is estimated to have averaged $159,200 per farm in 2011–12 (Figure 8, Table 3).

Figure 8 Real farm cash income, dairy industry, average per farm

Note: p Preliminary estimate. y Provisional estimate.
In 2012–13, lower average farmgate milk prices together with a small reduction in milk production and a small increase in total cash costs, resulting mainly from higher fodder expenditure, are projected to result in lower average farm cash income for all New South Wales dairy regions. Farm cash income for New South Wales dairy farms is projected to decline to an average of $109 000 per farm, which is still close to the average for the previous 10 years.

Table 3 Financial performance, New South Wales dairy industry, 2010–11 to 2012–13, average per farm

<table>
<thead>
<tr>
<th>Performance indicator</th>
<th>units</th>
<th>2010–11</th>
<th>2011–12p</th>
<th>RSE (%)</th>
<th>2012–13y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cash receipts</td>
<td>$</td>
<td>679 550</td>
<td>713 500</td>
<td>(3)</td>
<td>670 000</td>
</tr>
<tr>
<td>Total cash costs</td>
<td>$</td>
<td>541 460</td>
<td>554 300</td>
<td>(5)</td>
<td>561 000</td>
</tr>
<tr>
<td>Farm cash income</td>
<td>$</td>
<td>138 090</td>
<td>159 200</td>
<td>(10)</td>
<td>109 000</td>
</tr>
<tr>
<td>Farms with negative farm cash income</td>
<td>%</td>
<td>10</td>
<td>11</td>
<td>(44)</td>
<td>13</td>
</tr>
<tr>
<td>Farm business profit</td>
<td>$</td>
<td>53 240</td>
<td>63 300</td>
<td>(27)</td>
<td>- 11 000</td>
</tr>
<tr>
<td>Profit at full equity - excluding capital appreciation</td>
<td>$</td>
<td>119 860</td>
<td>122 400</td>
<td>(13)</td>
<td>43 000</td>
</tr>
<tr>
<td>Farm capital at 1 July a</td>
<td>$</td>
<td>3 967 720</td>
<td>3 889 800</td>
<td>(5)</td>
<td>na</td>
</tr>
<tr>
<td>Farm debt at 30 June b</td>
<td>$</td>
<td>600 540</td>
<td>646 900</td>
<td>(11)</td>
<td>640 000</td>
</tr>
<tr>
<td>Equity ratio b</td>
<td>%</td>
<td>85</td>
<td>83</td>
<td>(2)</td>
<td>na</td>
</tr>
<tr>
<td>Rate of return - excluding capital appreciation c</td>
<td>%</td>
<td>3.0</td>
<td>3.1</td>
<td>(13)</td>
<td>1.1</td>
</tr>
<tr>
<td>Off-farm income of owner manager and spouse b</td>
<td>$</td>
<td>18 100</td>
<td>16 100</td>
<td>(19)</td>
<td>na</td>
</tr>
</tbody>
</table>

Note: a Excludes leased plant and equipment. b Average per responding farm. c Rate of return to farm capital at 1 July. p ABARES preliminary estimates. y ABARES provisional estimates. na Not available. RSE Relative standard errors, expressed as a percentage of the estimate provided.
3 Forestry sector

In 2010–11, the total plantation area in the Central West region was approximately 88,900 hectares, comprised of around 82,300 hectares of softwood plantations and 6,600 hectares of other plantations. In the Central Tablelands National Plantation Inventory (NPI) region the main softwood species planted is radiata pine (*Pinus radiata*). Total log supply from plantations in the Central Tablelands NPI region is forecast to increase to 1.5 million cubic metres a year for the 2015–19 period, producing mainly softwood sawlogs (62 per cent).

In 2008, there were around 2 million hectares of native forests in the Central West region, comprised mainly of eucalypt medium open (832,000 hectares), eucalypt medium woodland (776,000 hectares) and callitris (227,000 hectares) forest types. The majority of the native forests are privately managed (1.1 million hectares), around 39,000 hectares are managed for nature conservation and 133,000 hectares are multiple use forests available for timber production. Major timber processing industries are located at Oberon and Raglan.

Total sales and service income in the New South Wales forest and wood product industry was estimated at around $7.8 billion in 2010–11. The income is mainly generated from the sale of paper and paper products, which is estimated at around $4.1 billion, and the remaining $3.8 billion is generated from the sale of other wood products. In comparison to other states and territories, New South Wales is not a major exporter of woodchips. In 2010–11, New South Wales exported around 734,000 tonnes of woodchips, valued at around $115 million. In 2011–12, woodchip exports declined to 645,000 tonnes, valued at $98 million.
References


ABS 2012, Agricultural Commodities, Australia, 2010-11, cat. no. 7121.0, Australian Bureau Statistics, Canberra.