Commodity outlook and financial performance of key agricultural industries in Tasmania

Burnie, Tasmania

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Regional overview

This paper contains an overview of the Tasmanian agriculture, forestry and fisheries sectors and the recent financial performance of some key Tasmanian agricultural industries, including the sheep, beef and dairy industries. The outlook for key commodities in Tasmania is also discussed.

Agriculture sector profile

The gross value of agricultural production for Tasmania was $1152 million in 2010–11, accounting for 3 per cent of Australia’s gross value of agricultural production. This is the most recent year for which Australian Bureau of Statistics (ABS) data are available for the state.

Milk was the most important agricultural product accounting for $312 million or 27 per cent of the gross value of agricultural production for Tasmania in 2010–11 (Figure 1). Vegetables were the next most important, valued at $184 million (16 per cent) followed closely by cattle and calves, valued at $180 million (16 per cent). Wool accounted for $97 million or 8 per cent of agricultural production in Tasmania, fruit $88 million and sheep and lambs $43 million. The ‘other’ agricultural product category accounted for $124 million, with most being for oil (opium) poppy and pyrethrum daisy.

Figure 1 Value of agricultural production, Tasmania, 2010–11

Number and type of farms

In 2009–10, Tasmania had 3348 farms with an estimated value of agricultural operations (EVAO) of more than $5000, according to ABS data (Table 1). EVAO is a measure of the value of production from farms and a measure of their business size, and is somewhat similar to turnover. Tasmania accounted for 3 per cent of all farms in Australia.
Tasmanian agriculture is characterised primarily by livestock and vegetable production. Farms are classified in Table 1 according to the activities that generate most of their value of production. In 2009–10, around 37 per cent of Tasmanian farms were beef cattle farms. Dairy cattle farms were the second most common farm type, accounting for 14 per cent of all farms, followed closely by sheep farms and vegetable farms, which accounted for 13 per cent and 12 per cent of all farms in the state, respectively.

Table 1 Number of farms, by industry classification a, 2009–10

<table>
<thead>
<tr>
<th>Industry Classification</th>
<th>Tasmania no.</th>
<th>Tasmania %</th>
<th>Australia no.</th>
<th>Australia %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef Cattle</td>
<td>1 240</td>
<td>37</td>
<td>40 854</td>
<td>34</td>
</tr>
<tr>
<td>Dairy Cattle</td>
<td>459</td>
<td>14</td>
<td>8 594</td>
<td>7</td>
</tr>
<tr>
<td>Sheep</td>
<td>441</td>
<td>13</td>
<td>10 705</td>
<td>9</td>
</tr>
<tr>
<td>Vegetable</td>
<td>404</td>
<td>12</td>
<td>4 279</td>
<td>4</td>
</tr>
<tr>
<td>Sheep-Beef</td>
<td>238</td>
<td>7</td>
<td>5 909</td>
<td>5</td>
</tr>
<tr>
<td>Fruit (excluding grapes)</td>
<td>192</td>
<td>6</td>
<td>6 363</td>
<td>5</td>
</tr>
<tr>
<td>Grains-livestock</td>
<td>53</td>
<td>2</td>
<td>12 352</td>
<td>10</td>
</tr>
<tr>
<td>Other</td>
<td>321</td>
<td>10</td>
<td>31 057</td>
<td>26</td>
</tr>
<tr>
<td>All agricultural industries</td>
<td>3 348</td>
<td>100</td>
<td>120 112</td>
<td>100</td>
</tr>
</tbody>
</table>

Data source: Australian Bureau of Statistics

A large proportion of farms in Tasmania are small in terms of business size. Around 64 per cent had an EVAO of less than $150 000 (Figure 2). These farms accounted for around 10 per cent of the total value of agricultural operations in 2009–10. In comparison, 15 per cent of farms in the state had an EVAO of more than $500 000, and these farms accounted for an estimated 66 per cent of Tasmania’s total value of agricultural operations.

Figure 2 Distribution of farms by estimated value of agricultural operations, Tasmania, 2009–10

Source: Australian Bureau of Statistics
Commodity outlook and financial performance of key agricultural industries in Tasmania

Employment

Australian Bureau of Statistics quarterly data for May 2012 indicate that around 236,000 people aged 15 years and over were employed in Tasmania, with the health care and social assistance industry employing the largest number, with approximately 15 per cent (more than 36,000 people) of total employment (Figure 3). The retail trade sector accounted for a further 11 per cent (26,000 people) and the education and training sector around 9 per cent (22,000 people) of total employment. The agriculture, forestry and fishing industry employed about 13,000 people accounting for 5 per cent of Tasmania’s labour force.

Figure 3 Employment profile, May 2012, Tasmania

Source: Australian Bureau of Statistics

Farm financial performance—Australia and Tasmania

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, mixed grains–livestock, sheep, beef, and sheep–beef industries. The information collected provides a basis for analysing the current financial position of farmers 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 provide a comparison of estimates of financial performance indicators (Box 1) for farms in Australia and Tasmania.

Box 1 Major financial performance indicators

<table>
<thead>
<tr>
<th>Total cash receipts: total revenues received by the business during the financial year.</th>
</tr>
</thead>
<tbody>
<tr>
<td>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).</td>
</tr>
<tr>
<td>Farm cash income: total cash receipts – total cash costs</td>
</tr>
<tr>
<td>Farm business profit: farm cash income + changes in trading stocks – depreciation – imputed labour costs</td>
</tr>
<tr>
<td>Profit at full equity: return produced by all the resources used in the business.</td>
</tr>
<tr>
<td>Farm business profit + rent + interest + finance lease payments – depreciation on leased items</td>
</tr>
<tr>
<td>Rate of return: return to all capital used, profit at full equity * 100 / total opening capital</td>
</tr>
</tbody>
</table>
Broadacre farm performance—Australia and Tasmania

Nationally, average farm cash income for broadacre farms increased from $59 400 in 2009–10 to $117 300 in 2010–11. It is estimated to have declined slightly to $116 000 in 2011–12, which is still 39 per cent above the average of $83 200 (in real terms) for the 10 years to 2010–11 (Figure 4, Table 2). In 2011–12 average to above average seasonal conditions for most Australian broadacre farms sustained high grain and livestock production and as a result, average farm cash income is estimated to be among the highest recorded (in real terms) since 2001–02 (Figure 4).

In Tasmania, average farm cash income increased in 2010–11 to $100 600 per farm from an estimated average of $53 240 per farm in 2009–10 (Figure 4 and Table 2). Improved seasonal conditions led to increased receipts, especially from livestock. Total cash costs also increased in 2010–11 as farmers increased purchases of sheep and lambs.

In 2011–12, farm cash income is estimated to have increased further for Tasmanian broadacre farms. Receipts from crops and sheep are estimated to have increased slightly, more than offsetting higher farm cash costs resulting mainly from increased expenditure on livestock purchases and interest payments. Farm cash income for Tasmanian broadacre farms is estimated to have increased to average $105 000 per farm in 2011–12, around 59 per cent above the average farm cash income recorded for the 10 years to 2010–11 (Figure 4).
### Table 2 Financial performance, broadacre industries

#### average per farm

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Crops</td>
<td>$34,820</td>
<td>43,100</td>
<td>(21)</td>
<td>49,000</td>
<td>136,320</td>
<td>177,700</td>
</tr>
<tr>
<td>Beef cattle sales</td>
<td>$91,680</td>
<td>101,800</td>
<td>(11)</td>
<td>105,000</td>
<td>89,010</td>
<td>96,500</td>
</tr>
<tr>
<td>Sheep and lambs</td>
<td>$49,940</td>
<td>75,600</td>
<td>(15)</td>
<td>82,000</td>
<td>46,520</td>
<td>56,200</td>
</tr>
<tr>
<td>Wool</td>
<td>$43,120</td>
<td>63,600</td>
<td>(15)</td>
<td>62,000</td>
<td>27,590</td>
<td>35,400</td>
</tr>
<tr>
<td>Total cash receipts</td>
<td>$242,250</td>
<td>296,700</td>
<td>(7)</td>
<td>312,000</td>
<td>342,160</td>
<td>409,200</td>
</tr>
<tr>
<td>Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sheep and lamb purchases</td>
<td>$4,790</td>
<td>7,900</td>
<td>(26)</td>
<td>9,000</td>
<td>7,660</td>
<td>10,200</td>
</tr>
<tr>
<td>Beef cattle purchases</td>
<td>$15,030</td>
<td>11,300</td>
<td>(30)</td>
<td>8,000</td>
<td>17,310</td>
<td>20,000</td>
</tr>
<tr>
<td>Fodder</td>
<td>$2,290</td>
<td>1,800</td>
<td>(23)</td>
<td>2,000</td>
<td>9,250</td>
<td>6,900</td>
</tr>
<tr>
<td>Fertiliser</td>
<td>$21,640</td>
<td>25,000</td>
<td>(10)</td>
<td>26,000</td>
<td>28,490</td>
<td>29,700</td>
</tr>
<tr>
<td>Sprays</td>
<td>$6,350</td>
<td>7,200</td>
<td>(18)</td>
<td>8,000</td>
<td>22,180</td>
<td>22,400</td>
</tr>
<tr>
<td>Fuel, oil and lubricants</td>
<td>$9,530</td>
<td>10,500</td>
<td>(10)</td>
<td>11,000</td>
<td>21,340</td>
<td>21,800</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>$18,200</td>
<td>19,200</td>
<td>(18)</td>
<td>27,000</td>
<td>33,260</td>
<td>34,100</td>
</tr>
<tr>
<td>Interest payments</td>
<td>$19,250</td>
<td>21,800</td>
<td>(18)</td>
<td>25,260</td>
<td>22,000</td>
<td>29,700</td>
</tr>
<tr>
<td>Hired labour</td>
<td>$13,660</td>
<td>13,200</td>
<td>(18)</td>
<td>14,000</td>
<td>11,190</td>
<td>10,800</td>
</tr>
<tr>
<td>Total cash costs</td>
<td>$189,010</td>
<td>196,200</td>
<td>(8)</td>
<td>206,000</td>
<td>282,760</td>
<td>291,900</td>
</tr>
</tbody>
</table>

#### Financial performance

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Farm cash income</td>
<td>$53,240</td>
<td>100,600</td>
<td>(10)</td>
<td>105,000</td>
<td>59,400</td>
<td>117,300</td>
</tr>
<tr>
<td>Farms with negative farm cash income %</td>
<td>32</td>
<td>30</td>
<td>23</td>
<td>7</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Farm business profit</td>
<td>$11,250</td>
<td>54,000</td>
<td>(21)</td>
<td>71,000</td>
<td>−16,460</td>
<td>57,500</td>
</tr>
<tr>
<td>Farms with negative farm business profit %</td>
<td>61</td>
<td>48</td>
<td>(11)</td>
<td>42</td>
<td>69</td>
<td>54</td>
</tr>
<tr>
<td>Rate of return</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>− excluding capital appreciation %</td>
<td>0.8</td>
<td>1.8</td>
<td>(18)</td>
<td>2.2</td>
<td>0.6</td>
<td>2.5</td>
</tr>
<tr>
<td>− including capital appreciation %</td>
<td>1.6</td>
<td>1.6</td>
<td>(50)</td>
<td>na</td>
<td>0.1</td>
<td>1.5</td>
</tr>
</tbody>
</table>

#### Farm capital, debt and equity

| Farm capital at 30 June a | $3,853,990 | 4,480,000 | (13) | na | 4,010,550 | 3,919,500 | (4) | na |
| Farm debt at 30 June b   | $244,170   | 291,200   | (17) | 326,000 | 492,540 | 460,400 | (8) | 435,000 |
| Equity ratio at 30 June bc | % 93 | 93 | (1) | na | 87 | 88 | (1) | na |

*a* Excludes leased plant and equipment. *b* Average per responding farm. *c* Equity expressed as a percentage of farm capital. *p* Preliminary estimate. *y* Provisional estimate. *na* Not available.

Figures in parentheses are standard errors expressed as a percentage of the estimate provided.
Performance of sheep industry farms—Australia and Tasmania

In 2010–11, improved seasonal conditions in the eastern states and higher sheep, lamb and wool prices led to a sharp increase in the average farm cash income for Australian sheep industry farms to $97 800 (Figure 5). Higher total cash receipts more than offset an increase in cash costs, driven by increased sheep purchases and higher expenditure on repairs.

Figure 5 Real farm cash income, sheep industry

average per farm

In Tasmania, sheep, lamb and wool receipts rose by about 50 per cent in response to higher prices for these commodities. Farm cash income for Tasmanian sheep industry farms increased in 2010–11 to average $118 900 per farm (Figure 5).

In 2011–12 farm cash income for Australian sheep industry farms is estimated to have increased further to an average of $113 000 per farm, due mainly to higher wool prices and a small increase in lamb receipts from a greater number of lambs sold. This is estimated to more than offset a rise in expenditure on labour, shearing and crutching, fertiliser and repairs and fuel. This represents the highest real farm cash income for the sheep industry since 1988–89.

In Tasmania, average farm cash income is estimated to have declined slightly to $96 000 per farm in 2011–12. This decline is mainly driven by a slight reduction in sheep and wool prices received (Figure 5).

Performance of beef industry farms—Australia and Tasmania

In 2010–11, beef cattle turn-off slowed in the eastern states and beef cattle numbers increased. In the Northern Territory, herd numbers remained relatively stable despite an increase in turn-off, and in Western Australia cattle numbers decreased as dry conditions resulted in higher turn-off. Overall, the average number of cattle that beef industry farms sold remained similar to 2009–10, but increases in average prices received for cattle resulted in total cash receipts for beef industry farms rising by around 8 per cent. Although expenditure on beef cattle purchases increased, total cash costs were reduced on average, mainly as a result of improved seasonal conditions leading to a reduction in expenditure on fodder. Overall, with total cash receipts
increasing and total cash costs decreasing, farm cash income increased to average $59 100 per farm for beef industry farms (Figure 6).

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

- **Australia**
- **Tasmania**

*p Preliminary estimate. y Provisional estimate.*

In Tasmania, farm cash income for beef cattle farms increased from an average of $35 600 per farm in 2009–10 to $54 700 in 2010–11. Beef cattle turn-off was reduced, but the reduction in number of cattle sold was more than offset by an increase in beef cattle prices resulting in a rise in beef cattle receipts and higher average farm cash income (Figure 6).

Lower expenditure on beef cattle purchases, together with reduced expenditure on fodder and interest payments, is projected to result in average total cash costs for beef industry farms in Australia declining by around 10 per cent in 2011–12. With only a small reduction in cash receipts and a much larger reduction in cash costs, average farm cash income is estimated to have increased to average $67 000 per farm in 2011–12 (Figure 6). This is around 6 per cent above the average for the previous 10 years (in real terms).

In Tasmania, farm cash income for beef industry farms is estimated to remain similar to that recorded in 2010–11 and average $53 200 per farm in 2011–12 (Figure 6). Slightly lower beef cattle receipts resulting mainly from lower prices for cattle sold are estimated to have been offset by reductions in expenditure on the purchase of beef cattle as the number of cattle purchased was reduced compared with 2010–11.

**Performance of dairy industry farms—Australia and Tasmania**

Nationally, average farm cash income for dairy industry farms increased from $75 110 in 2009–10 to $141 000 in 2010–11, the highest since 2007–08 (Table 3). The increase in average farm cash income was due mainly to higher prices paid for milk in regions producing manufacturing milk. Milk production remained similar to 2009–10, despite improved grazing conditions and increased availability of irrigation water.
Figure 7 Real farm cash income, dairy industry

average per farm

p Preliminary estimate. y Provisional estimate.

Improved seasonal conditions resulted in an increase in on-farm fodder production, which helped reduce fodder costs for dairy farms in 2010–11 (Table 3). However, other farm cost items, such as interest payments, increased in 2010–11. As a result average dairy farm costs remained relatively unchanged from 2009–10.

In Tasmania, average farm cash income increased to $159,900 in 2010–11 as a result of higher milk prices and a reduction in total cash costs as improved seasonal conditions allowed dairy farms to reduce expenditure on fodder.

In 2011–12, despite an increase in national milk production, lower milk prices are estimated to have resulted in reduced average financial performance of dairy farms in all states except Tasmania. Overall, farm cash income for Australian dairy farms is estimated to have declined slightly, to average $136,000 per farm in 2011–12, which is still around 30 per cent above the average for the 10 years to 2010–11 (Figure 7).

In Tasmania, a relatively large increase in milk production is estimated to have offset lower milk prices and, despite increases in cash costs, resulted in farm cash income rising to average $211,000 per farm.
### Table 3 Financial performance, dairy industry

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receipts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Milk – net of freight</td>
<td>$546 040</td>
<td>636 600 (13)</td>
<td>657 000</td>
<td>442 140</td>
<td>510 900 (4)</td>
<td>498 000</td>
</tr>
<tr>
<td>Dairy cattle</td>
<td>$62 960</td>
<td>61 200 (13)</td>
<td>47 000</td>
<td>34 190</td>
<td>39 400 (7)</td>
<td>37 000</td>
</tr>
<tr>
<td><strong>Total cash receipts</strong></td>
<td>$702 690</td>
<td>754 500 (13)</td>
<td>817 000</td>
<td>508 490</td>
<td>575 700 (4)</td>
<td>563 000</td>
</tr>
<tr>
<td><strong>Costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dairy cattle purchases</td>
<td>$8 710</td>
<td>10 800 (34)</td>
<td>5 000</td>
<td>6 070</td>
<td>7 700 (14)</td>
<td>4 000</td>
</tr>
<tr>
<td>Fodder</td>
<td>$135 740</td>
<td>119 100 (18)</td>
<td>106 000</td>
<td>129 650</td>
<td>119 400 (5)</td>
<td>108 000</td>
</tr>
<tr>
<td>Fertilizer</td>
<td>$67 240</td>
<td>52 500 (17)</td>
<td>60 000</td>
<td>30 260</td>
<td>29 900 (8)</td>
<td>36 000</td>
</tr>
<tr>
<td>Fuel, oil and lubricants</td>
<td>$16 330</td>
<td>16 000 (15)</td>
<td>21 000</td>
<td>14 290</td>
<td>13 600 (5)</td>
<td>16 000</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>$44 670</td>
<td>35 900 (21)</td>
<td>39 000</td>
<td>33 860</td>
<td>34 700 (7)</td>
<td>38 000</td>
</tr>
<tr>
<td>Interest payments</td>
<td>$110 950</td>
<td>143 100 (17)</td>
<td>144 000</td>
<td>47 090</td>
<td>52 100 (8)</td>
<td>50 000</td>
</tr>
<tr>
<td>Hired labour</td>
<td>$50 880</td>
<td>34 000 (19)</td>
<td>49 000</td>
<td>25 040</td>
<td>26 000 (10)</td>
<td>9 000</td>
</tr>
<tr>
<td><strong>Total cash costs</strong></td>
<td>$670 860</td>
<td>594 600 (14)</td>
<td>607 000</td>
<td>433 380</td>
<td>434 700 (4)</td>
<td>427 000</td>
</tr>
</tbody>
</table>

### Financial performance

|                      |         |                  |          |         |                   |          |
| Farm cash income     | $31 840 | 159 900 (18)    | 211 000  | 75 110  | 141 000 (9)       | 136 000  |
| Farms with negative farm cash income % | 23 | 6 (79) | 5 | 24 | 11 (42) | 12 |
| Farm business profit | $–57 580| 100 600 (27)    | 123 000  | –3 660  | 69 200 (17)       | 44 000   |
| Farms with negative farm business profit % | 70 | 14 (60) | 36 | 59 | 34 (17) | 38 |

### Rate of return

- excluding capital appreciation % | 1.5 | 5.5 (10) | 5.8 | 1.6 | 3.9 (8) | 3.1 |
- including capital appreciation % | 1.8 | 5.0 (18) | na | 0.2 | 0.9 (106) | na |

### Farm capital, debt and equity

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</tr>
</thead>
<tbody>
<tr>
<td>Farm capital at 30 June a</td>
<td>$5 291 810</td>
<td>4 775 800 (20)</td>
<td>na</td>
<td>3 614 800</td>
<td>3 428 700 (0)</td>
<td>na</td>
</tr>
<tr>
<td>Farm debt at 30 June b</td>
<td>$1 527 120</td>
<td>1 756 200 (20)</td>
<td>1 822 000</td>
<td>666 390</td>
<td>663 800 (10)</td>
<td>660 000</td>
</tr>
<tr>
<td>Equity ratio at 30 June bc</td>
<td>% 71</td>
<td>63 (9)</td>
<td>na</td>
<td>82</td>
<td>81 (2)</td>
<td>na</td>
</tr>
</tbody>
</table>

*a Excludes leased plant and equipment. b Average per responding farm. c Equity expressed as a percentage of farm capital. p Preliminary estimate. y Provisional estimate. na Not available. Figures in parentheses are standard errors expressed as a percentage of the estimate provided.
Outlook for selected commodities

Dairy

Despite a forecast slowing in the growth of global milk production in 2012–13, an assumed economic slowdown in the European Union and weaker demand growth in Asia is expected to result in world dairy prices averaging lower in 2012–13 (Figure 8).

Figure 8 World dairy prices

Forecast lower farmgate milk prices and higher world feed grain prices in 2012–13 are likely to constrain growth in milk production in many major dairy producing countries over the remainder of 2012–13. Growth in EU milk production is expected to be limited to around 1 per cent in 2012–13. This follows increases in EU milk production of 2.6 per cent in 2010–11 and 2.3 per cent in 2011–12. Milk production in the United States is forecast to fall by 1.4 per cent in 2013 to 90.2 million tonnes following a forecast rise of 2 per cent in 2012. Assuming average seasonal conditions, New Zealand milk production is forecast to remain relatively unchanged in 2012–13 (June to May marketing year) at 19.6 million litres.

While global economic growth is assumed to remain subdued in 2012–13, relatively robust economic activity in the developing countries of Asia, North Africa and Central America is expected to continue to support an increase in world dairy trade, especially milk powders. China is expected to remain a significant importer of milk powders in 2012–13. Imports of skim milk powder are forecast to increase by nearly 40 per cent to 180 000 tonnes in 2012, double the volume of imports in 2010. Imports of whole milk powder are forecast to rise by 6 per cent in 2012 to around 340 000 tonnes. Imports of milk powders in South-East Asia are also forecast to rise in 2012–13, with Indonesian imports forecast to increase by 10 per cent to 240 000 tonnes. Algerian imports of whole milk powder are expected to increase by 5 per cent to around 200 000 tonnes in 2012, reflecting the longer-term trend of increased consumption of dairy products.

The Australian farmgate price for milk is forecast to fall by 7 per cent in 2012–13 to average around 39 cents a litre.

Assuming favourable seasonal conditions in the main dairying regions, national milk production is forecast to increase by 1.3 per cent in 2012–13 to 9.6 billion litres, following a 4 per cent rise in 2011–12.
Following significant improvement in availability of irrigation water in northern Victoria and southern New South Wales, milk production increased strongly in these regions in 2011–12. Milk production in these regions is forecast to rise further in 2012–13.

The Tasmanian dairy industry accounts for around 8 per cent of national milk production. In 2011–12 milk production in Tasmania increased by 9 per cent to 788 million litres following 7 per cent rise in the previous year. Around 93 per cent of Tasmanian milk production is used to manufacture dairy products, such as cheese, butter and milk powders.

The total value of Australian dairy exports is forecast to decline by 2.5 per cent in 2012–13 to $2.2 billion, primarily reflecting the effect of forecast lower average prices of dairy product on world markets.

**Horticulture**

The gross value of the Australian horticulture industry (excluding wine grapes) is forecast to increase by 6.7 per cent in 2012–13 to $9.2 billion. The forecast growth largely reflects improved availability of irrigation water and a return to more normal seasonal conditions following heavy rains and floods in early 2011–12. Water storage in the Murray–Darling Basin was at 97 per cent capacity as at 13 September 2012, compared with 87 per cent at the same time in 2011. The increase in gross value is forecast to occur despite the strength of the Australian dollar, which is reducing the Australian dollar value of Australian horticulture exports and increasing the price competitiveness of horticulture imports.

Assuming favourable season conditions in major growing regions, the value of vegetable production is forecast to rise by close to 5 per cent to $3.6 billion in 2012–13. The value of Australian vegetable production increased steadily over the past decade. In 2010–11, the gross value of the Australian vegetable industry was $3.5 billion, 15 per cent higher than in 2000–01, in real terms.

Fruit and vegetable prices declined for most commodities in 2011–12, reflecting increased supply as a result of favourable seasonal conditions and abundant supplies of irrigation water.

Tasmania is an important producer of fruit and vegetables—mainly potatoes, onions, carrots, cherries and berry fruit—and accounts for around 30 per cent of Australian production of processed vegetables. In 2010–11, the gross value production of fruit and nuts (excluding grapes) in Tasmania was $88.5 million, vegetables $93.5 million and nursery production (nurseries, cut flowers and cultivated turf) was $39.4 million.

The Australian potato-growing industry may be categorised into two sectors: potatoes grown for processing and potatoes grown for fresh consumption. Tasmania is the largest producing state for processing potatoes, accounting for 34 per cent of the industry, followed by South Australia (28 per cent) and Victoria (21 per cent). In 2010–11, Tasmania produced around 252 000 tonnes of potatoes comprised of 225 000 tonnes for processing and 27 000 tonnes for the fresh market.

Tasmania is the largest producer of green peas in Australia and the second largest producer of onions. In 2010–11, Tasmania produced around 13 200 tonnes of green peas and 93 300 tonnes of onions.

Tasmania is also an important producer of the speciality crops oil (opium) poppy and pyrethrum daisy. The oil poppy is a source of natural alkaloids, mainly morphine, codeine and thebaine. In
2010, it is estimated that Tasmania accounted for 25 per cent of world poppy straw production (the harvested material, in morphine equivalent terms), 76 per cent of world production of thebaine and 29 per cent of world production of anhydrous morphine alkaloid (International Narcotics Control Board 2012).

Tasmania exported around 54 000 tonnes of fresh vegetables in 2011–12 valued at $29.1 million. The main fresh vegetable exports were brown onions, vegetable seeds, carrots and turnips and potatoes. The value of Tasmania fresh fruit exports in 2011–12 was $86 million with cherries, apples and oranges being the dominant fresh fruit exports.

**Beef and veal**

The Australian weighted average saleyard price of beef cattle is forecast to fall by 4 per cent in 2012–13 to 315 cents a kilogram (dressed weight) (Figure 9). Domestically, demand for restocker cattle is expected to continue, although at a pace slower than the previous two seasons when favourable conditions encouraged producers to expand herds. Herd sizes are now the largest in more than 30 years and supplies of cattle suitable for slaughter are forecast to increase in the coming year.

![Figure 9 Australian cattle slaughter and saleyard price](image)

Lower demand for restocker cattle compared with the previous two years is expected to contribute to national cattle herd growth slowing to 2 per cent in 2012–13 to 30.5 million head. This compares with an estimated growth rate of 5 per cent in 2011–12, when favourable seasonal conditions led to significant pasture growth in many cattle producing regions. Producers responded to favourable seasonal conditions by purchasing restocker cattle and retaining breeding stock.

In 2012–13 Australian cattle slaughter is forecast to increase by 3 per cent to 8.1 million head, underpinning an increase in beef production to around 2.2 million tonnes. After more than two years of herd rebuilding, supplies of cattle suitable for slaughter are expected to increase.

In 2011–12 Australian cattle slaughter fell by 3 per cent to 7.9 million head, its lowest since 1985–86. However, beef production declined less than 1 per cent from the previous year, largely as a result of increased slaughter of heavier male cattle which contributed to an increase in average carcass weights.
Tasmanian cattle slaughter fell by 5 per cent in 2011–12 to 227,000 head. However, Tasmanian beef production fell by only 1 per cent to 54,000 tonnes, underpinned by a 3 per cent increase in average carcass weights.

Australian beef and veal exports are forecast to increase by 1 per cent in 2012–13 to 955,000 tonnes (shipped weight). This reflects an increase in volume to the United States and many smaller markets offsetting lower exports to Japan and the Republic of Korea. With the Australian dollar assumed to remain relatively high in 2012–13, strong competition is likely to continue in the traditional markets of Japan and the Republic of Korea, especially from imported US beef.

Wool

The Australian Eastern Market Indicator (EMI) price for wool is forecast to fall by 20 per cent in 2012–13 and average 960 cents a kilogram clean (Figure 10). Such a price outcome would be 10 per cent below the average EMI price (in 2012–13 dollars) in the five years ending 2011–12. Weak economic activity in the European Union and slow economic growth in the United States are expected to dampen retail demand for wool in 2012–13.

Consumer retail spending on discretionary items such as clothing is expected to remain soft in 2012–13, particularly in the European Union. In the United States, while retail clothing sales increased in the first six months of 2012, consumer demand for wool apparel is expected to remain subdued in the remainder of 2012–13.

China is the world’s largest importer and processor of raw wool and exports around half its raw wool imports as wool yarn, fabric and garments, to the European Union, the United States and Japan. Activity in the Chinese wool textile industry slowed in 2011–12 as export demand for wool apparel fell sharply. Processing activity in the Chinese wool textile industry is expected to remain weak for the remainder of 2012–13, reflecting soft demand for wool apparel in the OECD.

While retail spending on garments could remain weak in China in the next few months, an assumed strengthening of Chinese economic activity in the second half of 2012–13 is expected to lead to an increase in consumer spending and support domestic demand for wool clothing.
Australian shorn wool production is forecast to increase by 1 per cent to 371 million tonnes in 2012–13, reflecting an increase in the number of sheep shorn. The number of sheep shorn is forecast to increase to 87 million in 2012–13 (an increase of 2.4 per cent from 2011–12) as a result of a larger flock. Expansion of the Australian sheep flock, evident over the past two years, is expected to slow in 2012–13 in response to lower forecast prices for wool and sheep meat.

Below average seasonal conditions in some sheep producing regions of western Victoria, South Australia and Western Australia during the second half of 2011–12 are expected to lead to lower average fleece weights in these regions in 2012–13. In 2012–13, average wool cut per head is forecast to fall by 1.2 per cent to 4.25 kilograms.

Tasmanian wool production is forecast to remain relatively unchanged at around 10 000 tonnes in 2012–13. A recent shift into lamb production in Tasmania has led to an increase in the proportion of broader micron wool in the Tasmanian clip.

Australian wool exports are forecast to decline slightly in 2012–13 to around 410 000 tonnes reflecting continuing weak demand for wool in Australia’s major export markets. The value of Australian wool exports are forecast to fall by around 20 per cent to $2.5 billion in 2012–13.

**Sheep meat**

The Australian weighted average saleyard price of lambs is forecast to decrease by 4 per cent in 2012–13 to average around 460 cents a kilogram, following a 12 per cent decline in 2011–12 (Figure 11). The forecast price fall in 2012–13 reflects an increase in the availability of lambs. However, continued strength in demand from domestic and export markets, particularly China and the Middle East, is expected to provide support for lamb prices in the coming year. At this forecast level, prices will be relatively strong in real terms compared with an average of 426 cents a kilogram (in 2012–13 dollars) over the 10 years to 2009–10.

The weighted average saleyard price for sheep is forecast to decline by 3 per cent in 2012–13 to 320 cents a kilogram, following a 20 per cent decline the previous season (Figure 12). In 2012–13, sheep availability is expected to increase as producers turn off older ewes previously held for flock rebuilding. However, continued strong demand for mutton is expected to partially offset the downward pressure on prices from increased supplies.
Lamb slaughter is forecast to rise by 6 per cent in 2012–13 to around 20 million head, reflecting the effects of a larger ewe base and higher opening lamb numbers. With an expected increase in lamb slaughter, lamb production is forecast to increase by 4 per cent in 2012–13 to a record high of around 436 000 tonnes. While Tasmania accounted for just 2 per cent of Australian lamb slaughter in 2011–12, lamb slaughter in Tasmania rose by 29 per cent in 2011–12 to around 438 000 head, following a decline of 17 per cent in 2010–11.

Australian adult sheep slaughter is forecast to rise by 16 per cent in 2012–13 to around 6 million head from an expected increase in sheep turn-off. With average sheep carcass weight expected to remain largely unchanged, mutton production is forecast to increase by 15 per cent in 2012–13 to around 138 000 tonnes. This follows a 2 per cent fall in production in 2011–12. In Tasmania, sheep slaughter rose by 80 per cent in 2011–12 to around 115 000 head. This follows a decline of 54 per cent in 2010–11 to around 64 000 head.

Total Australian sheep meat exports are forecast to increase by 8 per cent in 2012–13 to 283 000 tonnes, with lamb exports rising by 6 per cent to 185 000 tonnes and mutton exports by 10 per cent to 98 000 tonnes. Lamb and mutton exports to the Middle East and China are expected to be the main driver of this increase.

The total value of Australian sheep meat exports is forecast to increase by 3 per cent in 2012–13 to around $1.5 billion.

Live sheep exports are forecast to decrease by 2 per cent in 2012–13 to around 2.5 million, following a decline of 12 per cent in 2011–12. Live sheep export prices are forecast to decline by 2 per cent to average around $130 per head in 2012–13. The forecast decline in export shipments mainly reflects an expected decrease in live sheep exports to Bahrain in the short-term, following recent problems unloading animals in this market.
Forestry in Tasmania

In 2010–11, around 4.9 million cubic metres of logs were harvested from Tasmanian forests (excluding fuel wood), with an estimated gross value of production (measured at mill-door prices) of $323 million. Native forests have historically been the largest source of logs for the Tasmanian timber industry, with 2.7 million cubic metres harvested in 2010–11, valued at $170 million, but this harvest volume is trending downwards. Around 72 per cent of native forest logs were exported as woodchips in 2010–11, with the remainder used to produce sawnwood, veneer, posts and poles and craftwood. Just over half of native forest and plantation logs in Tasmania were harvested from public forests in 2010–11 (ABARES 2012).

Tasmania experienced significant investment in timber plantations in recent years. The plantation area has increased by 59 per cent since 2000–01 and by 25 per cent since 2005–06. In total, around 237 000 hectares of hardwood (eucalyptus) plantations and 75 000 hectares of softwood plantations grew in Tasmania in June 2011. However, the last two years has seen a significant drop in the annual plantation establishment rate from an average of around 15 000 hectares a year over the decade to 2008–09, to 4000 hectares in 2009–10, and 1500 hectares in 2010–11. Most plantations established in Tasmania since 2000 have been hardwood species. The increase in plantation harvest volume follows the increase in plantation area after a lag period deriving from the length of the rotation. The most recent estimate for total hardwood plantation log harvest is 934 000 cubic metres in 2010–11, over four times the 238 000 cubic metres harvested 10 years ago.

Significant infrastructure in Tasmania is devoted to processing and transporting forest products. ABARES estimates that 51 sawmills were operating in the state in June 2012. Most processed native hardwood sawlogs, while several also processed hardwood plantation sawlogs when available. This figure also includes five sawmills that process softwood sawlogs in the state, using logs from the plantation estate. The latest available sawnwood production estimates show that these sawmills produced around 113 000 cubic metres of hardwood sawnwood, and 253 000 cubic metres of softwood sawnwood in 2010–11.

Two of the four veneer mills in Tasmania are owned by Ta Ann Tasmania. In addition, Tasmania's wood processing infrastructure includes a paper mill operated by Norske Skog, a particleboard mill, a post and pole mill, three woodchip mills and three log export operations. The total value of production in the Tasmanian wood manufacturing industry (including sawmilling, wood chipping and panel manufacture) was estimated to be $616 million in 2010–11, while the total value of production in the Tasmanian pulp and paper manufacturing industry was estimated at $382 million in 2010–11 (ABS 2012).

Within the Burnie Local Government Area Corinna Sawmills produces green sawnwood, Pentarch produces woodchips for export and Forestry Tasmania exports logs, mainly peeler logs which do not meet domestic merchandising log specifications. Specialty Timbers also operates a veneer mill at Somerset, close to the Burnie Local Government Area.

In 2006, 6510 people were directly employed in the Tasmanian forest industry (Schirmer 2008). A significant downturn in the Tasmanian forest industry in recent years resulted in an estimated 47 per cent fall in forest employment to 3460 people in 2011 (Schirmer et al. 2011). This trend was also apparent in Burnie: the number of people living in the Burnie Local Government Area who identify themselves as employed in the forest industry declined from 455 in 2006 to 124 in 2011 (Figure 13). Forest industry employees may live in Burnie but work elsewhere and vice versa.
Figure 13 Forest industry employment in Burnie, based on place of residence of workers

![Bar chart showing forest industry employment in Burnie from 2006 to 2011.]

Note: Employment estimates based on place of residence of workers.
Source: Schirmer et al. (2011)

A number of market and one-off factors have affected demand for Tasmania’s hardwood woodchip exports in the past five years, including the global financial crisis, shifts in market preferences toward plantation woodchips and the impact of the Fukushima nuclear disaster on paper manufacturing in Japan. In the five years to 2010–11 Tasmania’s hardwood woodchip exports have fallen by 31.4 per cent to 1.5 million bone dry tonnes; and in the last 12 months hardwood woodchip exports from Tasmania have declined by a further 75 per cent to 360 000 bone dry tonnes in 2011–12 (ABARES 2012, ABS 2012b).
Fisheries in Tasmania

In 2010–11 the gross value of Tasmanian fisheries production is estimated to be around $597 million, an increase of 5 per cent ($29 million) from 2009–10. Tasmania is estimated to accounted for 27 per cent of the total value of Australian fisheries production in 2010–11, up from 13 per cent in 2003–04.

The importance of aquaculture in Tasmanian fisheries production increased over the past decade (Figure 14). In 2000–01, the real value of aquaculture production (in 2010–11 terms) was $153 million representing around 37 per cent of total Tasmanian fisheries production. By 2010–11, the value of aquaculture is estimated to have increased to $432 million, representing around 72 per cent of the state’s fisheries production. Most of the growth in aquaculture production is attributed to increases in the output of farmed salmonid species, in particular Atlantic salmon.

Figure 14 Real value of Tasmanian fisheries production

In 2010–11 the volume of Tasmania’s aquaculture production is estimated to have increased by 4 per cent (1403 tonnes) to 38,882 tonnes. Salmonids accounted for 88 per cent of this volume and 93 per cent of the total value of Tasmanian aquaculture in 2010–11 (Figure 15). Most Tasmanian salmonid production supplies the domestic market. A key factor contributing to the rapid growth in recent years was a strong focus on marketing salmon to Australian consumers. In 2010–11 an estimated 34,229 tonnes of salmonids valued at $401 million were produced.
Tasmania's wild-catch sector is dominated by two main fisheries products—abalone and rock lobster—which are expected to account for 59 per cent and 36 per cent, respectively, of the total value of wild-caught production in 2010–11.

In contrast to rapid growth in Tasmania's aquaculture sector, the value of Tasmania's wild-caught fisheries products is estimated to have reduced from $261 million in 2000–01 to $165 million in 2010–11 (in 2010–11 terms). The decline in value was driven by a 23 per cent reduction in the total volume of wild-catch fisheries products, moderated partly by increases in the average unit price of several major wild-catch species.

The product for which the real value of production declined most over the past decade is abalone (both wild-caught and aquaculture), falling by $69 million (in 2010–11 terms) from $171 million in 2000–01 to an estimated $103 million in 2010–11. This was the result of a 35 per cent reduction in the real unit price, despite a 12 per cent increase in volume. A large proportion of abalone is exported, mostly to Hong Kong, China and Japan. Exchange rate movements have a significant effect on the value of abalone exports and, in turn, production.

Rock lobster also accounts for a significant proportion of Tasmanian wild catch production, accounting for an estimated 27 per cent and 36 per cent of the total volume and value, respectively, of wild-catch production in 2010–11. However, the value of rock lobster exports almost halved in 2010–11, primarily reflecting a 46 per cent (244 tonnes) reduction in the volume of rock lobster exported from Tasmania. In contrast, the real value of fish exports increased 28 per cent ($12 million) in 2010–11, mainly driven by increases in exports of salmonid species.

In 2010–11, Tasmania's fisheries product exports were valued at $166 million, representing a 12 per cent decline in real value compared with 2009–10. The main export products include abalone and rock lobster, which collectively accounted for around 88 per cent of the total value of Tasmania's fisheries exports in 2010–11 (Figure 16).
Figure 16 Real values of Tasmanian fisheries exports, by key species group

Hong Kong and China are the major destinations for Tasmanian fisheries exports, accounting for 35 per cent and 31 per cent of the total value of exports in 2010–11, respectively (Figure 17). Other major export destinations include Japan (10 per cent), Singapore (7 per cent), Chinese Taipei (4 per cent) and Indonesia (4 per cent).

Figure 17 Value of Tasmanian exports in 2010–11, by destination
References


ABS 2012b, International Trade, Australia, cat. no. 5465.0, Australian Bureau of Statistics, Canberra.

