### Australian Agricultural Trade 2017/18

<table>
<thead>
<tr>
<th>Product</th>
<th>2017 Value</th>
<th>2018 Value</th>
<th>Change 2018 vs 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef and cattle</td>
<td>$10.4B</td>
<td>$10.4B</td>
<td>Increased by $962m</td>
</tr>
<tr>
<td>Sheep</td>
<td>$3.9B</td>
<td>$4.7B</td>
<td>Increased by $704m</td>
</tr>
<tr>
<td>Crops</td>
<td>$10.4B</td>
<td>$10.4B</td>
<td>Decreased by $3,528m</td>
</tr>
<tr>
<td>Wine</td>
<td>$2.8B</td>
<td>$3.3B</td>
<td>Increased by $464m</td>
</tr>
<tr>
<td>Wool and cotton</td>
<td>$6.1B</td>
<td>$7.2B</td>
<td>Increased by $1,062m</td>
</tr>
<tr>
<td>Dairy</td>
<td>$2.4B</td>
<td>$3.4B</td>
<td>Increased by $194m</td>
</tr>
<tr>
<td>Horticulture</td>
<td>$2.2B</td>
<td>$2.3B</td>
<td>Increased by $133m</td>
</tr>
<tr>
<td>Sugar</td>
<td>$1.8B</td>
<td>$1.7B</td>
<td>Decreased by $617m</td>
</tr>
<tr>
<td>Seafood</td>
<td>$1.4B</td>
<td>$1.6B</td>
<td>Increased by $166m</td>
</tr>
</tbody>
</table>
For the first time ever, Australian agri-food exports increased 0.4 per cent to $50 billion in 2017/18, an encouraging signal to Australian farmers of the strength of demand in export markets. Most major agricultural sectors recorded growth in export value in 2017/18, offsetting a large decline in the value of broad acre crop exports.

The value of exports of sheep meat and wool saw the largest increase, up 24 per cent and 22 per cent, respectively, as exceptionally strong demand for exports drove saleyard and auction prices to record levels during the year.

Cattle industry exports increased in value for the first time since 2014/15, up by 10.2 per cent, with strong demand from Japan and China providing support to prices in the face of strong supply from Australia and other major exporters.

Wine exports continued to trend higher, increasing by 19.9 per cent, driven by growing demand for red wine in China.

Dairy exports showed a recovery with the first year of growth in value since 2013/14. The positive signs for export demand of dairy products are expected to give support to farm gate milk prices in the coming year.

China is Australia’s largest export market and grew by a further $1.65 billion (+16 per cent) in 2017/18. Strong growth was also recorded into other major export markets such as Japan (+9.5 per cent) and the US (+7.6 per cent).

Australia is well positioned to continue capturing opportunities to expand the value of agri-food exports in the coming year, supported by an expected lower exchange rate and ongoing improvements in market access under proposed and existing trade agreements.

International markets are a vital element of demand for Australian agricultural products with approximately two-thirds of agricultural production exported. Capturing opportunities presented by growing global demand for food and fibre, particularly for higher valued commodities, is a key driver of many domestic commodity prices trending higher.
Australian agriculture in 2017/18

Australian agriculture experienced a financial year of two halves in 2017/18, starting with average rainfall in most regions from July to December 2017, followed by below average rainfall from January to June 2018, particularly in the south east. Average rainfall for most grain producing regions in the 2017 growing season led to lower winter crop production compared to the record production of 2016, resulting in less volume available for export. The below average rainfall received in the first half of 2018 is leading to forecasts of average to below average yields in many cropping regions and has also led to increased turn-off of cattle and sheep due to deteriorating pasture conditions and rising feed prices. Increased turn-off has been reflected in a significant increase in beef, lamb and mutton production, which was mostly absorbed by export markets.

Rainfall deciles – July to December 2017

Rainfall Decile Ranges

Source: Bureau of Meteorology, 2018

Rainfall deciles – January to June 2018

Rainfall Decile Ranges

Source: Bureau of Meteorology, 2018
Wool and lamb were the standout commodities from a price perspective in 2017/18, both enjoying strong support from export markets and buoyed by a declining Australian dollar since late January:

- Wool prices enjoyed an extraordinary year in 2017/18, repeatedly rising to set new nominal record highs driven by limited supply and strong export demand. The Eastern Market Indicator increased by 34 per cent during 2017/18 to 2,056c/kg.
- Lamb prices spent most of 2017/18 trading around 600c/kg, a buoyant level by historical standards, then trended further upwards from late April and closed the financial year at 712c/kg, a record high at the time.
- Wheat prices began trending higher again in 2017/18 after four years of decline as the market reacted to estimates of a decrease in world production. APW1 wheat delivered to Newcastle increased by 32 per cent during 2017/18 to $385/tonne.
- Cattle prices trended lower from 620c/kg to below 500c/kg but showed some resilience under the weight of increased production.
- Farm gate milk prices averaged $5.70/kg MS in 2017/18, an increase of 4.4 per cent. The global price for skim milk powder averaged A$2,450/tonne in 2017/18, which is close to the 20th percentile for the last five years while cheddar prices were high, averaging A$4,971/tonne, which is close to the 80th percentile for the last five years.

- Fruit prices increased in the December quarter of 2017 as domestic demand increased, then remained stable in the March and June quarters of 2018 as conditions across the country were adequate without any major supply disruptions.
- Vegetable prices remained relatively flat with the exception of the March 2018 quarter when prices increased due to dry, hot summer conditions which reduced supply in some vegetable categories.

The Australian dollar (AUD) averaged 78 US cents in 2017/18, 2.7 per cent higher than 2016/17. The AUD steadily declined from just under 81 cents in January to a low of 74 cents in June.

Interest rate differentials continue to be an important driver indicating that the AUD will weaken further against the USD over the next 12 months. The US Federal Reserve commenced tightening in December 2015 and has continued to raise the US cash rate a total of seven times since then, including three times so far in 2018. This has led to a strengthening USD, particularly in 2018, and prompted the downward trend in the AUD. The US Federal Reserve is expected to continue to “normalise” US rates with two further rate hikes expected before the end of 2018 and a further two in 2019. With the RBA expected to leave Australia’s official cash rate unchanged for the foreseeable future, this increasing interest rate differential has seen the AUD depreciate against a stronger USD. This is expected to continue over the coming year and should see the AUD trade lower over 2018/19.

The Australian dollar averaged 78 US cents in 2017/18

![AUD/USD Chart](Data: Reserve Bank of Australia)
Trade policies

Comprehensive and Progressive Trans-Pacific Partnership

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), or TPP-11, was signed in Chile in March 2018 by representatives from Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam. These countries accounted for $11.2 billion (23 per cent) of Australian agri-food exports in 2017/18.

The most significant benefit will be for beef to Japan which accounts for 19 per cent of all agri-food exports to CPTPP countries. The CPTPP will see the tariff on beef exports to Japan reduce to 9 per cent over 15 years, improving on the reduction to 19.5 per cent for frozen beef and 23.5 per cent for chilled beef scheduled under the Japan Australia Economic Partnership Agreement (JAEPA). This improves Australia’s tariff advantage over the US which remains subject to a 38.5 per cent tariff, but levels the playing field for other competitors such as Canada, New Zealand and Mexico. Japan will also reduce tariffs on wheat and barley, again strengthening Australia’s position against the US, but giving up the advantage held over Canada. Japan will also reduce tariffs on cheese, improving Australia’s position against the US and EU.

The CPTPP also provides the opportunity for new bilateral agreements with Canada and Mexico. Canada will eliminate tariffs on sheep meat, wheat, barley and wine and phase out the 26.5 per cent tariff on beef outside of the 35,000 tonne quota. Mexico will phase out tariffs on beef, sheep meat, offal, live animals, wheat and barley, improving Australia’s access to this growing market.

Overall, the CPTPP should benefit Australian agri-food exports in the Asia-Pacific region through reduced tariffs and preferential access.

Indonesia-Australia Comprehensive Economic Partnership Agreement

Australia and Indonesia completed negotiations on the IA-CEPA in August, which is set to improve market access to Australia’s fifth largest agri-food export market, expanding on the ASEAN-Australia-New Zealand FTA (AANZFTA) of 2010. Agri-food exports to Indonesia were valued at $2.5 billion in 2017/18, with major exported commodities being wheat ($950 million), live cattle ($574 million), beef ($326 million) and dairy products ($151 million).

Benefits of IA-CEPA include eliminating the 5 per cent tariff for 575,000 head of live male cattle, growing to 700,000 at year 5. The agreement also includes duty free access for 500,000 tonnes of feed grains per year, increasing by 5 per cent per year. Tariffs will also be removed for beef, some dairy products, honey and reduced tariffs on sugar cane, potatoes and carrots. Duty free access will be established for 10,000 tonnes of oranges and 5,000 tonnes of lemons and limes, both increasing annually.

Improved access to Indonesia has the potential to assist Australian agricultural sectors capture the opportunity of growing food demand in a large market with close proximity which is projected to experience population and wealth growth out to 2050.
**Peru-Australia Free Trade Agreement**

Australia and Peru signed a free trade agreement (PAFTA) in February 2018 which will include improvements in market access for Australian agri-food exports when it comes into effect. PAFTA will complement the CPTPP which Peru is also a signatory of. Peru is a very small market for Australian agri-food exports, valued at $4.1 million in 2017/18. Benefits under PAFTA will include the immediate elimination of 9 per cent tariffs on seafood, wine, horticulture products, sheep meat and wheat as well as the progressive elimination of 17 per cent tariffs on beef and pork and new quotas for sugar, dairy, rice and sorghum. It is hoped that these measures will improve the competitiveness of Australian products, assisting Australian exporters establish markets in Peru.

**European Union opportunity**

Australia began negotiations for a free trade agreement with the European Union (EU) in June 2018. Australia is currently a net importer of agricultural products from the EU, with imports of $4.9 billion in 2017/18 compared to exports of $3.3 billion, so Australia will be looking to expand access for exports, particularly for beef and sheep meat. Australian sheep meat exports are currently limited under a quota of 19,186 tonnes per year, compared to New Zealand's quota of 228,254 tonnes which is greater than the EU's actual sheep meat import volume. Beef exports to the EU accounted for 1.4 per cent of Australian beef exports in 2017/18 and are limited under two low volume quotas. The EU is a high value market, with an average export price more than double that of exports to Japan, US and South Korea. The opportunity exists for Australia to receive increased access to the EU with beef and sheep meat consumption in the EU projected to rise above the rate of production growth, resulting in import volume requirements growing at approximately 1.5 per cent each year between 2017 and 2030.

**Trade dispute between China and US**

China and the US have been in a trade dispute since March 2018, with a sequence of tariffs imposed on each other's imports. This has included agricultural goods imported to China from the US such as beef, pork, offal, soybeans, wine, wheat, cotton and some horticultural products. This has prompted suggestions that competitors to the US such as Australia and Canada will benefit from improved competitiveness into China against the US.

At a commodity level, Australian beef exports could benefit from the US facing a loss of traction in the high valued grainfed market which it only gained access to in June 2017 and which competes directly with Australian beef. Wheat exports could also see some benefit with improved competitiveness against the US, another major exporter of wheat to China. Australia's wool exports are indirectly exposed to escalating tariffs between China and the US if it results in China exporting fewer wool-based products to the USA. Nevertheless, that impact is likely to be small as approximately half of Australian wool exported to China is consumed in China and China has other large markets for its woollen product exports.

Australian agri-food exports to China may see some benefit in the short to medium term, however there are also longer term risks of an economic downturn driven by increasing protectionism in the world's two largest economies which could have a detrimental effect on demand and commodity prices. Further, trade policies in China and the USA may have wider geopolitical ramifications for Australia, which must balance the competing policies of Australia's largest trading partner in China and a significant trading partner and largest strategic partner in the USA.
Australian agri-food exports reached $50 billion in value for the first time in 2017/18. Although modest growth of 0.4 per cent was recorded, it marked the eighth consecutive year of growth in export value. More remarkable, the result was achieved despite a $3.5 billion drop in the value of broad acre crop exports. Record 2016 winter crop production was the primary driver of agri-food exports recording growth of 8.7 per cent in 2016/17, but the return to more average cropping exports was offset by growth in all other commodity sectors, with the exception of sugar.

Cattle industry exports returned to be the largest export sector for agriculture as increased production led to a $962 million (10.2 per cent) increase in export value. Other significant growth sectors in 2017/18 were wool (+$727 million), sheep (+$704 million) and wine (+$464 million).

Agri-food exports account for approximately $1 in every $6 of exports from Australia. The small increase in the value of agri-food exports relative to the 8 per cent increase in total goods and services exports in 2017/18 led to agri-food’s share of total export value falling to 15.4 per cent.

The value of agri-food imports to Australia increased to $18.5 billion in 2017/18, up by $582 million. This was equivalent to 37 per cent of the value of exports. The top imported commodities were wine, whiskey and beer ($2.41 billion combined) and miscellaneous prepared food ($2.15 billion). The European Union, New Zealand and the United States are Australia’s top source of imports, accounting for 56 per cent of agri-food imports.
The value of Australian agri-food exports increased by $185 million in 2017/18

Australia imported $18.5 billion worth of agri-food products in 2017/18

Cattle and crop accounted for 41.5% of Australian agri-food exports in 2017/18

Agri-food exports accounted for 15.4% of all Australian exports in 2017/18

Data: Global Trade Information Services (GTIS), ABARES

Data: GTIS

Data: Australian Bureau of Statistics
Export markets

Australian agri-food exports became increasingly reliant on the top five markets in 2017/18 which accounted for 53.3 per cent of the total value of exports, up from 48.2 per cent in 2016/17.

China was the largest growth market in 2017/18, increasing by $1.65 billion (+16 per cent), to account for 23.7 per cent of all Australian agri-food exports. Significant growth to China was recorded for wool, sheep meat, beef, wine and seafood, while wheat and barley declined by a combined $635 million.

Exports to Japan increased by $286 million, driven by increases in beef and cheese exports of $207 million (+11 per cent) and $88 million (+23 per cent), respectively. Increased exports to the US were also driven by the growth of beef exports, up $215 million (+14 per cent). Exports to the European Union declined by $540 million (-14 per cent), brought down by a $756 million drop in the value of canola exports. This decline was partially offset by gains in wool (+$120 million) and wine (+$69 million). The value of exports to the Middle East and North Africa region was also lower, driven by a $345 million drop in cropping exports.

India fell out of the top 10 export markets in 2017/18 with a decline in value of $1.7 billion (55.7 per cent). This came after an increase of 134 per cent in 2016/17. Exports of chickpeas, lentils and wheat all returned to 2015/16 levels due to a combination of lower production and reinstatement of high tariffs.

<table>
<thead>
<tr>
<th>Destination</th>
<th>2016/17 export value (A$ billion)</th>
<th>2017/18 export value (A$ billion)</th>
<th>Year-on-year change</th>
<th>Top two commodities 2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>10.24</td>
<td>11.89</td>
<td>16.1%</td>
<td>Wool ($2,976m), Beef ($1,002m)</td>
</tr>
<tr>
<td>Japan</td>
<td>4.46</td>
<td>4.74</td>
<td>6.4%</td>
<td>Beef ($2,117m), Cheese ($461m)</td>
</tr>
<tr>
<td>United States</td>
<td>3.61</td>
<td>3.83</td>
<td>6.0%</td>
<td>Beef ($1,709m), Lamb ($650m)</td>
</tr>
<tr>
<td>European Union</td>
<td>3.82</td>
<td>3.28</td>
<td>-14.1%</td>
<td>Canola ($1,118m), Wine ($635m)</td>
</tr>
<tr>
<td>Middle East North Africa</td>
<td>3.14</td>
<td>2.97</td>
<td>-5.3%</td>
<td>Sheep meat ($804m), Wheat ($622m)</td>
</tr>
<tr>
<td>South Korea</td>
<td>2.55</td>
<td>2.53</td>
<td>-1.1%</td>
<td>Beef ($1,176m), Wheat ($331m)</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2.93</td>
<td>2.48</td>
<td>-15.4%</td>
<td>Wheat ($950m), Live cattle ($572m)</td>
</tr>
<tr>
<td>Vietnam</td>
<td>2.14</td>
<td>1.96</td>
<td>-8.8%</td>
<td>Cotton ($455m), Wheat ($414m)</td>
</tr>
<tr>
<td>New Zealand</td>
<td>1.52</td>
<td>1.65</td>
<td>9.1%</td>
<td>Wheat ($167m), Chocolate ($116m)</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>1.45</td>
<td>1.45</td>
<td>-0.6%</td>
<td>Wine ($133m), Beef ($106m)</td>
</tr>
</tbody>
</table>

*excludes sugar

Data: GTIS
Despite overall growth in the value of national agri-food exports in 2017/18, performance was mixed between states.

Victoria showed the largest growth in value of $1.4 billion. This was driven by growth in sheep meat (+$428 million), beef (+$352 million) and wool (+$327 million) more than offsetting declines in canola (-$171 million) and lentils (-$171 million).

Exports from Queensland declined by $1.7 billion in 2017/18, brought down by a $701 million decline in chickpea exports which returned to 2015/16 levels. Cotton and sugar exports also declined, while beef increased by $369 million (9 per cent).

New South Wales also had a lower value of exports in 2017/18, down $664 million. Wheat exports returned closer to 2015/16 levels, losing $698 million (59 per cent). Growth was recorded for wool (+$194 million) and beef (+$169 million).

Western Australian exports declined by $376 million as wheat (-$637 million) and canola (-$438 million) exports were unable to match 2016/17. Increased exports were recorded for wool (+$168 million) and beef (+$177 million).

South Australian exports increased by $421 million, boosted by wine (+$378 million), barley (+$161 million) and wheat (+$132 million). These gains more than offset declines in lentils (-$195 million) and beef (-$101 million).

Tasmanian exports recorded the largest percentage increase in 2017/18, up 19 per cent. This was achieved by growth in salmon (+$74 million), beef (+$51 million) and sheep meat (+$16 million). The value of milk powder exports fell 56 per cent (-$52 million).

Northern Territory exports increased on the back of a $13.6m increase in live cattle exports, with growth to Vietnam and Malaysia covering for a $29 million (9 per cent) reduction to Indonesia.

The percentage contribution that each state makes to national export value remains largely stable year to year. In the year ahead, agricultural export value for Queensland and New South Wales is expected to decrease due to lower broad acre cropping and livestock production.

### Australian agri-food exports by state of origin

<table>
<thead>
<tr>
<th>State</th>
<th>2016/17 export value (A$ billion)</th>
<th>2017/18 export value (A$ billion)</th>
<th>Year-on-year change</th>
<th>Top commodities 2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Victoria</td>
<td>11.93</td>
<td>13.33</td>
<td>11.7%</td>
<td>Wool ($2,116m), Dairy ($1,897m)</td>
</tr>
<tr>
<td>Queensland</td>
<td>11.90</td>
<td>10.16</td>
<td>-14.6%</td>
<td>Beef ($4,521m), Sugar ($1,808m)</td>
</tr>
<tr>
<td>New South Wales</td>
<td>8.93</td>
<td>8.27</td>
<td>-7.4%</td>
<td>Beef ($1,452m), Wool ($867m)</td>
</tr>
<tr>
<td>Western Australia</td>
<td>7.00</td>
<td>6.63</td>
<td>-5.4%</td>
<td>Wheat ($1,895m), Canola ($906m)</td>
</tr>
<tr>
<td>South Australia</td>
<td>5.86</td>
<td>6.28</td>
<td>7.2%</td>
<td>Wine ($1,852m), Wheat ($1,382m)</td>
</tr>
<tr>
<td>Tasmania</td>
<td>0.70</td>
<td>0.83</td>
<td>19.0%</td>
<td>Beef ($203m), Salmon ($128m)</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>0.52</td>
<td>0.54</td>
<td>2.4%</td>
<td>Live cattle ($433m), Beef ($55m)</td>
</tr>
<tr>
<td>No State Detail</td>
<td>2.56</td>
<td>3.64</td>
<td>42.1%</td>
<td>Cotton ($1,681m), Barley ($1,396m)</td>
</tr>
</tbody>
</table>

Data: GTIS
Beef and cattle

The value of Australian cattle industry exports increased by $962 million (+10.2 per cent) in 2017/18 to return above $10 billion in value. The value of beef exports increased by 12 per cent to $7.96 billion, driven by a 13 per cent increase in export volume, reflecting the 8.4 per cent increase in production. Increased exports from Australia competed with higher global production and exports, but strong demand allowed the average export price to show resilience by only dropping 1.3 per cent.

Japan was Australia’s most valuable export market for beef at $2.1 billion, an increase of 10.8 per cent. Exports to Japan faced increased competition from growing US exports but benefited from an 11.6 per cent tariff advantage for frozen beef over the US which will continue to increase under the Japan Australia Economic Partnership Agreement and set to improve further under the Comprehensive and Progressive Trans Pacific Partnership. Beef exports to the US increased by 14.4 per cent in value to $1.7 billion, following two years of decline. This was largely due to increased production in Australia and robust demand from US consumers. Despite being a large competitor, the US remains an important customer for Australian lean beef to compliment domestic production in manufacturing beef products. South Korea was the only major market to import less beef from Australia in 2017/18, down 4 per cent to $1.2 billion. Exports came under pressure from increased US production which holds a 5.3 per cent tariff advantage over Australia. China became a $1 billion market for Australian beef in 2017/18, with a 34.7 per cent increase in the volume of beef exported adding an extra $255 million in export value. Brazil remains the largest supplier of imported beef to China and is expected to continue to increase exports in 2018/19.

The outlook for Australian beef exports is mixed with demand in major export markets expected to continue growing, while global production is also expected to continue growing to record highs, keeping competition strong. Increased turn-off in Australia during 2018 is likely to result in a decline in herd size, leading to lower Australian production and exports in 2018/19.

Australian live cattle exports increased by 6 per cent in 2017/18 to $1.3 billion. This was driven by a 37 per cent increase in cattle exports to China, offsetting a 9.4 per cent decline in exports to Indonesia which accounted for 45 per cent of cattle exports.

The value of beef and cattle exports increased by 10.2% in 2017/18

The volume of beef and offal exports rose by 13.6% in 2017/18

The value of beef exports to Japan and the US in 2017/18 increased by 10.8% and 14.4%, respectively

*includes beef and dairy cattle for breeding purposes  Data: GTIS
Crops

The value of Australian crop exports decreased by 25 per cent in 2017/18 to $10.4 billion. A decline was likely after record high winter crop production in the previous season led to a comparable record high in the volume of grain exported. In 2017/18 the volume of grain produced and exported was lower by 35 per cent and 25 per cent, respectively.

Indonesia remained Australia’s largest export market for wheat, despite volume to Indonesia dropping by 30 per cent in 2017/18. Although annual wheat exports to Indonesia averaged 3.7 million tonnes over the past decade, the trade tends to fluctuate year to year reflecting both supply from Australia and competition in the Indonesian market. Wheat exports to China declined, partly due to less supply from Australia and partly because China imported less wheat in total from the world. The European Union is Australia’s largest export market for canola, accounting for 85 per cent of export. A small drop in the EU’s total canola import from the world and 14 per cent decline in Australian production saw the volume of canola exported decline by 37 per cent.

The volume of Australian chickpea exports to India declined by 45 per cent in 2017/18 due to a 53 per cent decline in Australian production as well as the Indian government increasing tariffs on chickpea imports from 30 to 60 per cent between December 2017 and March 2018 in an effort to boost domestic prices for local farmers in an oversupplied market. India will remain an important market for Australian chickpeas, however the importance of other export markets such as Bangladesh and Pakistan and the domestic market will increase. Prices have been edging higher so far in 2018/19, despite the Indian tariff remaining in place. Uncertainty about the Indian market and dry conditions has contributed to Australian growers sowing 60 per cent less area to chickpeas in 2018.

The value of crop exports in 2018/19 is likely to be comparable to 2017/18 despite dry conditions during the 2018 growing season. At the time of writing, Australia’s major grain producing regions in Western Australia, South Australia and Victoria are expecting average production. Higher crop prices will offset lower production, keeping the value of crop exports similar to 2017/18. However, this forecast could be on the high side if a significant volume of grain stays in the domestic market thereby reducing the volume available for export and if Australia is not price competitive in forward selling, which will see competitors establish a stronger presence in export markets ahead of the Australian harvest.

The reported value of crop exports decreased by 25.4% in 2017/18

The reported volume of crop exports decreased by 27.6% in 2017/18

The reported value of wheat exports to China and canola exports to the EU each fell by 40% in 2017/18

*includes barley, sorghum, oats, maize, buckwheat, millet, rye

Data: GTIS

$664m worth of barley exports were reported under "unidentified country" in 2017/18

13
Wool and cotton

The value of Australian wool and cotton exports increased in 2017/18 to $3.9 billion (+22.3 per cent) and $2.1 billion (+18.8 per cent), respectively.

The increase in the value of wool exported is entirely due to higher prices for wool. Wool growers have been enjoying rising prices since early 2015, which have continued to rise to record highs in nominal terms. The volume of wool exported from Australia has remained stable since 2010 reflecting the historically small Australian sheep flock. China remains Australia’s largest market for wool accounting for 75 per cent of wool exported. About half of that wool is consumed within China. Indeed, China’s demand for luxury goods is a key driver of rising wool prices, which has combined with historically low production in Australia and no stockpiles in the supply chain to push wool price higher. These price drivers are expected to remain in their current price support setting. Therefore wool prices and wool export value are expected to remain strong in 2018/19.

Cotton export value increased due to higher prices and volume exported in 2017/18. China, Vietnam and Bangladesh have all increased their cotton imports from the world, each year for the past 3 years. As the world’s 3rd largest cotton exporter, Australia has benefited from that growing demand, exporting an additional 107,000 tonnes of cotton in 2017/18. Growing demand has contributed to an upward trend in cotton prices that began in early 2016. Looking ahead to 2018/19, cotton prices are expected to continue rising as cotton consumption is expected to exceed production. According to the USDA estimates, world cotton production is expected to fall by 3.6 per cent in 2018/19 to 117 million bales and world cotton consumption is expected to grow by 2.0 per cent to 122.9 million bales. For Australian growers, export performance will be a function of supply more so than price as dry conditions could limit production over the year ahead.
The Australian sheep industry continues to benefit from strong export demand with the value of exports growing by $704 million (21.7 per cent) in 2017/18. The value of lamb exports increased by $331 million (17 per cent) due to a combination of increased volume (+10 per cent) and average export price (+6.5 per cent), reflecting growth in lamb production and domestic prices. Even stronger growth was recorded for mutton exports with increased volume (+31 per cent) and average price (+9 per cent) driving a $304 million (42 per cent) increase in value. Dry conditions in 2018 led to an increase in stock turnoff, resulting in higher lamb and mutton production. The strength of demand was such that prices resisted the pressure of increased supply.

China was the major growth market for lamb in 2017/18, purchasing $89 million (+42 per cent) more lamb than 2016/17, while the US remained the most valuable export market at $650 million, up 5 per cent. Significant growth of $119 million (27 per cent) was also recorded for the Middle East and North Africa region, including exports to Iran jumping from $6.3 million to $82.5 million. Growth also occurred to other emerging lamb markets such as South Korea (+19 per cent) and Japan (+18 per cent).

Mutton exports to China showed extraordinary growth, increasing by 197 per cent from $90 million to $265 million. This included a 47 per cent increase in average export prices despite export volume almost doubling, the result of growing import demand to meet domestic shortfall of production and higher Australian production.

Global sheep meat demand is expected to continue to exceed supply, providing a favourable outlook for Australian producers. However export volumes are expected to decline in 2018/19 due to lower production in Australia following high stock turn-off in 2018. Average export prices should remain strong with lower New Zealand production creating weaker competition for growing demand. This should flow through to ongoing support for prices in Australia.

The value of live sheep exports increased by 11 per cent to $259 million in 2017/18. Growth occurred in Australia’s major destination, Qatar (+10 per cent), while shipments to Turkey resumed for the first time since 2012/13, valued at $49 million.

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**Sheep**

The value of sheep exports increased by 21.7% in 2017/18

The volume of lamb and mutton exports rose in 2017/18 by 10.3% and 30.7%, respectively

The reported value of lamb and mutton exports to China increased in 2017/18 by 43% and 197%, respectively

Data: GTIS
Wine

The upwards trajectory of Australian wine exports continued in 2017/18, growing by $468 million to $2.8 billion and underpinned by Chinese demand for red wine. This occurred due to a combination of an 11 per cent increase in the volume of exports and an 8 per cent increase in average export price. This marked the fourth consecutive year of increased value in wine exports, with growing demand signalling improved confidence in the sector.

South Australia was the source of 65 per cent of Australian wine exports and recorded a 26 per cent increase in value in 2017/18 to a total of $1.9 billion. The volume of exports increased 6 per cent and average price rose 19 per cent. The growth in export value in South Australia largely came from red wine exports to China, which increased $321 million (86 per cent) and accounted for 38 per cent of South Australian wine exports. Victorian wine exports also recorded sound growth of 25 per cent, increasing to $362 million. Red wine exports to China increased by 68 per cent to $931 million. This built upon growth of 47 per cent in 2016/17 to make the current export value an extraordinary $555 million higher than two years ago and account for a third of all Australian wine exports. The volume of red wine exports to China increased by 53 per cent and average export price increased by 10 per cent. Wine exports to China continue to be supported by declining tariffs under the China-Australia Free Trade Agreement (ChAFTA). Prior to ChAFTA entering into force in December 2015, wine exports were subject to a 14 per cent tariff, before declining each January thereafter to the current 2.8 per cent and scheduled to be eliminated completely in January 2019. There is still potential for further growth to China with a growing number of wine consumers and expected increase in consumption per person.

Australian wine imports increased 11 per cent to $827 million in 2017/18 with increases from France (+18 per cent) and Italy (+24 per cent), offsetting reduced imports from New Zealand (-4 per cent). The largest source of growth was sparkling wine from France which increased by $23 million (26 per cent), to a total of $217 million, or 26 per cent of all wine imports.
The value of Australian dairy exports increased by 8.9 per cent in 2017/18, while the volume exported decreased by 0.2 per cent. Australian milk production was 3.2 per cent higher in 2017/18 at 9.3 billion litres, as producers responded to farm gate milk price increases and favourable seasonal conditions in southern states. Milk and cream exports increased in volume by 15.1 per cent and value increased 17.6 per cent, with significant growth to China, Singapore, Malaysia and the Philippines. The average export price of milk powder increased 4.7 per cent. While milk powder export volumes eased overall, exports to China, Australia’s largest market, increased by 43.1 per cent. Historically, Australian exports of milk powder to China have occurred in the first half of the calendar year. However, in 2017 the purchasing pattern evened out with the exception of May to August which was an unusual time for China to be recording high monthly imports of milk powder from Australia. It is likely that Australia had a stockpile of skim milk powder due to high world supply and low price across 2016 and 2017. This meant China could purchase Australian milk powder when it usually wouldn’t. A positive for the industry is that volume has continued to grow in 2018 even as global skim milk powder prices increase, indicating strong demand from China for Australian milk powder.

The value of cheese and curd exports increased by 11.9 per cent, due to an increase in volume of 2.5 per cent and a 9.2 per cent increase in average price. The Japanese market accounted for 50 per cent of Australia’s cheese exports and over 30 per cent of the cheese imported by Japan. Cheese exports to Japan increased a further 6.7 per cent in 2017/18.

The outlook for dairy exports has improved with expected growth in global demand, led by China and Japan. Although production increased in 2017/18 there is still a need for more milk supply to meet Australia’s growing export demand. This is expected to create strong competition between milk processors, resulting in higher farm gate milk prices.

The value of dairy exports increased by 8.9% in 2017/18

The volume of dairy exports fell by 0.2% in 2017/18, milk and cream up 15.1%

The value of dairy exports to China and Japan increased by 28.9% and 26.2%, respectively in 2017/18
The value of horticulture exports from Australia increased by $133 million (+6.6 per cent) in 2017/18. The value of fruit exports led the increase in value, up 24.2 per cent. Fruit exports to China increased by $77.6 million (+80 per cent), driven by a $42.9 million increase in the value of mandarin exports. Nectarine and cherry exports to China also performed strongly increasing by $5.96 million and $4.5 million respectively.

The value of vegetable exports increased $15.8 million, up 6.4 per cent in 2017/18. Export value to Middle East and North African countries increased by 12 per cent to $73 million. Carrot exports to the United Arab Emirates increased by $1.4 million. Potato exports to the Philippines increased by $2.8 million. Lettuce exports to Singapore grew strongly increasing by $1.3 million.

The value of table grape exports increased 3.2 per cent to $403.9 million, volume also increased by 3.2 per cent. Japan imported more Australian table grapes in 2017/18 driving export volume up by 29 per cent and export value higher by 31 per cent. China remained the largest market for Australian table grapes however value only increased 1 per cent as volume remained similar to 2016/17.

The value of nut exports decreased by 4.9 per cent to $751.2 million in 2017/18, volume also fell 4.1 per cent. The fall in nut exports can largely be attributed to almond exports to Spain dropping by 57.5 per cent and the EU declining 27 per cent. Almond exports to India were worth $144.8 million, up by 2 per cent. The value of nut exports to China increased 36.1 per cent driven largely by increased exports of almonds up 217.4 per cent by volume, valued at $12.6 million and macadamias up 29.5 per cent by volume, valued at $76.2 million.

The reported value of horticulture exports to China increased by 33% in 2017/18 with gains of 80% and 36% for fruit and nuts, respectively.

<table>
<thead>
<tr>
<th>Year</th>
<th>Fruit</th>
<th>Grapes</th>
<th>Nuts</th>
<th>Vegetables</th>
<th>Export Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY17</td>
<td></td>
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<td></td>
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<tr>
<td>FY18</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Data: GTIS
Sugar

Australian sugar exports fell by 25.4 per cent in 2017/18, returning to the 2015/16 level of $1.8 billion after rising to $2.4 billion in 2016/17. The volume of exports remained relatively high at 3.8 million tonnes despite falling 3.2 per cent. The largest factor driving the value of exports lower was a 23 per cent decline in the average export price from $611/tonne to $470/tonne, reflecting downwards pressure from growing global production.

World sugar production increased by 10.3 per cent in 2017/18, while consumption only rose 2 per cent leading to stocks growing by 7.5 million tonnes (+18 per cent). This was the second consecutive year that global sugar production exceeded consumption and the oversupply put downwards pressure on prices. The global situation is expected to improve slightly in 2018/19 with a 1.9 per cent decline in production forecasted to coincide with a 2 per cent increase in consumption. Production will exceed consumption for a third year but a small reduction in stocks is still expected.

Australian production is forecast to increase by 2.1 per cent, driven by improved yields. Export volume is forecast to remain relatively steady. Prices are likely to remain suppressed for the next few years until global stocks decline. This means a lower value of Australian sugar exports is likely in 2018/19.

The value of Australian sugar exports declined by 25% in 2017/18

The volume of Australian sugar exports declined by 3% in 2017/18

Data: Australian Bureau of Agricultural and Resource Economics (ABARES)
Seafood

Australian seafood exports increased by $166 million (+13 per cent) in 2017/18 to $1.4 billion, after a 6.1 per cent decline in 2016/17. The volume of exports also increased, up 4.9 per cent, driven by a 13.4 per cent increase in fish exports.

Rock lobster exports increased by $95 million (14 per cent) to a total of $772 million, accounting for 53 per cent of Australian seafood exports. The growth in value was due to a combination of a 9.8 per cent increase in the volume of exports and a 3.9 per cent increase in average export price. Growth was concentrated in China (+$377 million), offsetting a large decline to Vietnam (-$258 million).

Seafood exports to China totalled $658 million in 2017/18, up 286 per cent from $170 million. Growth came from rock lobster, salmon and abalone which accounted for a combined 95 per cent of seafood exports to China. Exports to China benefitted by further tariff rate reductions under the China-Australia Free Trade Agreement (ChAFTA). Tariffs are currently between 2-2.4 per cent for most seafood commodities and are scheduled to be eliminated in January 2019.

Exports to Vietnam were 48 per cent lower in 2017/18, from $572 million to $295 million, predominately due to the decline in rock lobster exports which previously accounted for 95 per cent of seafood exports.

The value of seafood imports to Australia increased by 2.5 per cent in 2017/18 to $1.12 billion. Major imported commodities are fish ($594m), prawns ($255m) and squid ($101m). China ($205m), New Zealand ($183m) and Vietnam ($146m) accounted for a combined 47 per cent of imports, however growth mostly came from Thailand in 2017/18. Thailand exported $94 million of seafood to Australia, including $73 million worth of prawns.
Other agri-food exports

<table>
<thead>
<tr>
<th></th>
<th>2016/17 export value (A$million)</th>
<th>2017/18 export value (A$million)</th>
<th>Year-on-year change</th>
<th>Top two export destinations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Prepared foods</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>including malts, cocoa, pet food, baked, other</td>
<td>3,850.7</td>
<td>4,419.2</td>
<td>+14.8%</td>
<td>China ($1,762m) New Zealand ($791m)</td>
</tr>
<tr>
<td><strong>Other plant products</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>including milling products, seeds, coffee, other</td>
<td>1,171.8</td>
<td>1,163.9</td>
<td>-0.7%</td>
<td>USA ($255m) Japan ($122m)</td>
</tr>
<tr>
<td><strong>Other animal products</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>including fats, oils, hides, fibres, honey, eggs</td>
<td>1,036.5</td>
<td>1,114.8</td>
<td>+7.6%</td>
<td>Singapore ($286m) China ($207m)</td>
</tr>
<tr>
<td><strong>Other meat and offal</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>including goat, pig, poultry, other</td>
<td>551.4</td>
<td>576.0</td>
<td>+4.5%</td>
<td>USA ($154m) Singapore ($77m)</td>
</tr>
<tr>
<td><strong>Forages</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>including hay, chaff, lucerne, straw, other</td>
<td>600.5</td>
<td>537.0</td>
<td>-10.6%</td>
<td>Japan ($197m) South Korea ($103m)</td>
</tr>
<tr>
<td><strong>Beverages</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>excluding wine</td>
<td>406.9</td>
<td>414.0</td>
<td>+1.8%</td>
<td>New Zealand ($81m) South Korea ($53m)</td>
</tr>
<tr>
<td><strong>Food industry residues and waste</strong></td>
<td>260.9</td>
<td>302.1</td>
<td>+15.8%</td>
<td>Indonesia ($70m) USA ($58m)</td>
</tr>
<tr>
<td><strong>Other live animals</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>including horses, buffalo, goats, other</td>
<td>189.3</td>
<td>194.7</td>
<td>+2.8%</td>
<td>Hong Kong ($75m) New Zealand ($49m)</td>
</tr>
</tbody>
</table>

Data: GTIS

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**Value of other meat and offal exports**

**Value of forage exports**

*excluding lucerne Data: GTIS*
About the research

The Australian Agriculture Trade 2017/18 research is based on the reported values and quantities of goods at Australia’s ports. The report includes all agricultural, food and fibre products including processed products. Wood and articles of wood are not included.

The reported values are quoted Free On Board (FOB) in Australian dollars and not adjusted for inflation or foreign exchange rates.

In some instances the export destination and/or state of origin is not identified by the exporter. Figures may not reflect the actual export total.

Commodity groups may not include all products relevant to that group. For example, miscellaneous edible preparations is a significant commodity group by value and volume where individual products are not specified and therefore cannot be attributed to another commodity group.

Where appropriate, European and Middle East and North African nations are referred to as the European Union (EU) and the Middle East and North Africa (MENA).

EU includes: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

MENA includes: Algeria, Bahrain, Djibouti, Egypt, Gaza Strip, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, West Bank, Yemen.

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Ag Answers is a specialist insights division of Rural Bank. Recognising that good information is the key to making good business decisions, Ag Answers provides research and analysis into commodities, farmland values, farm business performance and topical agricultural issues to enable farmers to make informed decisions.

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